

CORPORATE
SOCIAL RESPONSIBILITY
REPORT

2016



The Ercros Corporate social responsibility report corresponding to the 2016 financial year has been unanimously approved by the Company's board of directors at its meeting held on 28 April 2017.

This report has been prepared following the CSR Guide for the chemical sector, published by the Federación Empresarial de la Industria Química Española ("Feique"), in collaboration with Forética, which, in turn, contains the indicators required for certifying an ethical and socially responsible management system in accordance with the standard SGE 21:2008. This is published on the website of the Ministerio de Empleo y Seguridad Social, within the section on corporate social responsibility reports, in accordance with Ministerial Order ESS/1554/2016 on the registration and publication of social responsibility and sustainability reports.

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Bearing those cases in which the comprehension of the text requires so, all references contained in this document using the male gender will be deemed as indistinctly referring to all persons, men or women, in order to avoid reiteration of terms to facilitate the reading thereof.

Dear shareholders,

Among the achievements in 2016 in matters of sustainability it is worth highlighting the reduction in the direct emissions of greenhouse gases and the entry into service of the new gas treatment plant in the Cerdanyola factory, making it possible to reduce formaldehyde emissions and meet the requirements of the integrated environmental permit.

In December of last year the Cerdanyola and Sabiñánigo factories were recognised for their best practices, firstly through being awarded the Corporate social responsibility award from the Cerdanyola Business Association, and secondly through being awarded the Socially responsible business of Aragón seal, awarded by the Government of Aragón along with the management organisations CEOE and Cepyme and the trade unions UGT and CC.OO.

However, there has unfortunately been an increase in the accident rate and absenteeism. To correct these results we have implemented a series of corrective measures and awareness raising actions that we hope will improve health and safety and reduce the accident rate in our work centres.

In 2016, the degree of fulfilment of the management practices codes of the Responsible Care programme of the global chemical sector, to which Ercros has been signed up since 1994, was 99.4%, slightly better than in 2015. Ercros also improved, by four percentage points, the degree of fulfilment of the recommendations of the Code of good governance of listed companies, which was 96.2%.

Last year we obtained a "C" rating in the section on assessing information transparency and climate change behaviour in the CDP questionnaire, which evaluates the efforts made by companies to seek solutions and mitigate the effects of global warming. Our "advanced" classification in the EcoVadis CSR rating also improved by 11 points. Its purpose is to improve the environmental and social practices of companies by taking advantage of the influence of global supply chains.

During 2016 we organised 21 open days or visits to our factories, which were attended by a total of 645 people. Among these it is worth mentioning the open day organised by the Monzón factory, which was attended by 50 employees and their families, the visit from the conseller de Territori i Sostenibilitat from the Generalitat de Catalunya, along with the mayor of Flix and other representatives from the management of the Flix factory, to learn on-site about the characterisation and cleaning works being carried out by Ercros, and the visit by the mayor of Cerdanyola, accompanied by the councillor for economic promotion and specialists from the council, to the factory situated in this town in order to learn about the new gas processing plant to reduce formaldehyde emissions.

Ercros has signed 25 agreements with different education centres to offer work experience. During 2016, 52 students (32 taking vocational training and 20 graduates and post-graduates) carried out work experience at our factories, and seven employees at the Sabiñánigo factory obtained the professional skills accreditation certificate in basic chemical plant operations, equivalent to a post-secondary level module.

In relation to the Company's governance, in 2016 the board of directors approved amendments to the internal code of conduct in relation to the securities market in order to adapt it to the new regulations on market abuse and approved three new policies: the policy for selecting directors; the policy on allowances for attending general meetings and the policy on communicating with and contacting shareholders.

Throughout the year the Company held three general shareholders' meetings, the mandatory ordinary shareholders' meeting and two extraordinary shareholders' meetings.

The first extraordinary meeting was convened at the request of shareholders in possession of 3.28% of the share capital, and the second was as a result of three motions excluded from the previous extraordinary meeting because the board deemed that they were matters that, legally, came under its powers. In both meetings, the majority of shareholders took the side of the board when voting on the proposals.

The ordinary meeting approved, among other points, the renewal of the composition of the board of directors and appointed a woman to it for the first time in the history of Ercros. In 2017 the board has appointed a new female director by co-option, so at the current time, with the presence of two female directors, this body has now achieved gender equality.

The number of women in management positions is also increasing. In this regard, in 2016 the number of female directors increased by four percent compared to the previous year and women now represent 20% of the management team. Across Ercros, the presence of women is also advancing, albeit more slowly. Between 2015 and 2016 the number of female employees increased by one percent and women represented 15% of the workforce. In this case, women are mostly employed within the technical and administrative categories.

None of the achievements and advances contained in this report would have been possible without the commitment and dedication of the staff at Ercros. Without their conviction, and the assumption of the social responsibility principles as their own DNA, Ercros could not advance towards excellence or remain one of the leading companies in this area.

Antonio Zabalza Martí
Chairman and CEO of Ercros

Barcelona, April 28, 2017



INFORME DE VERIFICACIÓN

ERCROS

Bureau Veritas Certification

Declara que se ha efectuado la verificación de la

Responsible Care CSR Company

**Conforme a la Guía de aplicación de la RSC en el Sector
Químico y Ciencias de la Vida de:**

ERCROS

Se ha comprobado que la memoria de responsabilidad social es adecuada y consistente con los indicadores recomendados en la Guía de aplicación de la RSC en el Sector Químico y Ciencias de la Vida .

Como resultado de este proceso de verificación se concluye que:

- ✓ La adecuación, con posibilidades de mejora, de la memoria a los principios fundamentales marcados en la Guía de aplicación de la RSC en el Sector Químico y Ciencias de la Vida.
- ✓ los resultados obtenidos, la involucración de las partes interesadas y la comunicación y transparencia es adecuada con las prioridades fijadas en la Guía de referencia

Conforme a esto Bureau Veritas Certification confirma, para

ERCROS

Responsible Care CSR Company

la calificación “in Accordance” en el nivel **Excelente**

Fecha de emisión 05 de mayo de 2017

M^a Lidón Bové
Verificador Jefe RSC
Bureau Veritas Certification

La presente Declaración se basa en un Informe de Verificación más detallado puesto a disposición de las partes interesadas.

a) The Company

Ercros is the result of the merger on 30 June 1989 between Cros and Unión Explosivos Río Tinto, two centuries-old companies with a great tradition in the Spanish chemical sector. In 2005, Ercros acquired Aragonesas, Industrias y Energía and almost one year later, Derivados Forestales Group XXI.

At the date of approval of this report, April 28, 2017, the company's capital totals EUR 34.23 million formed by 114.09 million ordinary shares of EUR 0.30 par value, which are listed on the continuous exchanges of Barcelona, Bilbao, Madrid and Valencia.

Board of directors

The composition of the board of directors of Ercros is as follows:

Director	Position	Type	Committees	Date of renewal
Antonio Zabalza Martí	Chairman and CEO	Executive	—	10-06-16
Laureano Roldán Aguilar	Director	External	Audit	10-06-16
Eduardo Sánchez Morrondo	Director	External	Appointments and remunerations	10-06-16
Lourdes Vega Fernández	Coordinating director substitute	Independent	Audit and appointments and remunerations	10-06-16
Carme Moragues Josa	Coordinating director	Independent	Audit and appointments and remunerations	21-03-17
Daniel Ripley Soria	Non-voting secretary	—	—	

On 5-05-16, Mr Ripley Soria replaced Mr Mayans Sintes as non-director secretary of the Company.

On June 10, 2016, Mr Blanco Balín and Mr Fernández-Goula Pfaff resigned as directors of the Company upon expiration of the term for which they were appointed, being replaced by Mrs Vega Fernández and Mr Dagà Sancho, respectively.

On December 26, 2016, Mr Dagà Sancho passed away. On 21 March 2017, Mrs. Moragues Josa filled the vacancy produced by Mr Dagà.

Of the board of directors depends the audit committee that is composed of Mrs Moragues Josa (chairwoman) and Mrs. Vega Fernández and Mr Roldán Aguilar (members). On July 15, 2016, Mr Xavier Álvarez García assumed the management of the internal audit service, replacing Mr Pedro Bonet, who left Ercros because of the restructuring of this department.

The board of directors also includes the committee on appointments and remuneration, which is composed of Mrs Vega Fernández (chairwoman) and Mrs Moragues Josa and Mr Sánchez Morrondo (members).

b) The Ercros Group

The Ercros industrial group ("the Group" or "Ercros") is diversified into three business segments: the chlorine derivatives division, a strategic business unit whose common theme is chlorine; the intermediate chemicals division, focused on the chemistry of formaldehyde, a product from which the other products in the division's portfolio are manufactured; and the pharmaceuticals division, which is dedicated to the manufacture of active pharmaceutical ingredients (APIs).

In 2016, the Group's volume of production was 2.05 million tonnes of product. Turnover amounted to EUR 602.54 million and the gross operating profit ("ebitda") to EUR 58.25 million. The average workforce in 2016 was 1,357 people distributed across 11 production centres, all of which are located in Spain.

Ercros is a leader in the main markets where it has a presence and supplies a wide variety of industries: chemical, construction, wood, paint, food, pharmaceuticals, electrical material, water treatment, etc.

The company exports almost half of its sales (48.9%) and markets its products to more than 2,000 customers in 104 countries.

PVC was the best-selling product in Ercros' portfolio, followed by caustic soda. These two products represent 31.4% of total sales.

The products of the intermediate chemicals and pharmaceuticals divisions represent a significant percentage of the global market. In terms of paraformaldehyde and pentaerythritol, Ercros is ranked first in the global market. It is also a leader in the fusidic acid and fosfomycin markets.

In Europe, it leads in sales of trichloroisocyanuric acid ("TCCA") and in Spain it leads in sales of caustic soda and potash, sodium hypochlorite, sodium chlorate, formaldehyde, pentaerythritol and moulding powders and is ranked second in the market for PVC and glues and resins.

The size of the Ercros' competitors varies depending on the business and the type of product marketed.

c) Industrial structure

Divisions	Centres	Products	Applications
Chlorine derivatives	Cardona, Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Caustic potash Caustic soda Chlorine EDC Hydrochloric acid PVC Sodium chlorate Sodium chloride Sodium chlorite Sodium hypochlorite TCCA VCM	Chemical industry General Industry Derivatives manufacturing VCM manufacturing General industry Construction Paper pulp bleaching Chemical industry Water treatment Water treatment Pool water treatment PVC manufacturing
Intermediate chemicals	Almussafes, Cerdanyola and Tortosa	Formaldehyde Glues and resins Moulding compounds Paraformaldehyde Pentaerythritol Sodium formate	Derivatives manufacturing Wood industry Sanitary and electrical equipment Resins Paints Tanning industry
Pharmaceuticals	Aranjuez	Erythromycin Fusidic acid Fosfomycin	Antibiotic Skin infections Antibiotic

d) Business strategy

The Ercros Group defines its business strategy in multi-annual plans that establish the measures to be adopted to increase productivity and efficiency in the use of its resources.

The Group's three main long-term strategic objectives are:

- To form an efficient, sound and profitable chemical group with an international presence.
- To achieve productive, industrially integrated facilities with a European dimension and situated in efficient locations.
- To specialise its portfolio in high-performance products, which offer greater comparative advantages for the Group and that have a higher growth forecast.

Act Plan

The Group's short and medium-term strategy to address (i) the change in technology brought about by the ban on the production of chlorine using mercury technology at the end of 2017 and (ii) on the same date, the discontinuation of activity announced by Ercros' main chlorine customer is defined in the Plan for adapting to the change in technology ("Act Plan") which encompasses the 2016-2020 period.

The goal of the aforementioned plan is to safeguard the Group's profitability by (i) retaining the markets where it is currently present; (ii) reorganising its activity by closing the chlorine production plants which use mercury technology; (iii) expanding the capacity to produce chlorine with membrane technology, regarded as the best available technology; and (iv) increasing the capacity of other plants.

The chlorine production plants are being closed due to the European Union's ban on the use of mercury technology in chlorine and caustic soda production processes which goes into effect on 11 December 2017. In the case of Ercros, this ban entails the closure of 71.5% of the current chlorine production capacity and affects the plants at the Flix and Vila-seca I factories. The remaining 28.5% to the plants of the factories of Vila-seca I and Sabiñánigo that have operated with membrane technology since 1992 and 2009, respectively.

The plan includes increasing the current chlorine production capacity with membrane technology by 80,000 t/year to 165,000 t/year, in line with the demand forecast for 2018 and beyond. Expanding the plants which already operate with membrane technology is more cost efficient and profitable than converting old mercury plants given the lower marginal cost of expanding the already operative facilities in a modular and quick manner with additional fixed costs that are virtually zero. Once these steps are taken, the Group will have reduced its chlorine production capacity by 44%, although it will be using membrane technology in all of its production, which is more efficient and, therefore, the impact on chlorine production will only be 30%. Likewise, the change in technology will also entail significant savings (40%) in electricity consumption due to increased efficiency and reduced production.

In addition, the plan includes activities which seek to increase the Group's manufacturing capacity: (i) of the products, the facilities of which are close to reaching 100% of their current capacity, as is the case with various active pharmaceutical ingredients, with TCCA for swimming pools and with products from the intermediate chemicals division and (ii) of chlorine derivative products the supply of which could decrease due to the general restructuring of the industry as a result of the ban on the use of mercury technology which will entail the elimination of a portion of the installed capacity.

The total investment required to implement the Act Plan is EUR 63.70 million (initially estimated at EUR 53.70 million, but subsequently increased by an additional EUR 10 million) with an average return period of two years. To finance the plan, the Group obtained credit facilities from the Ministry of Economy, Industry and Competitiveness amounting to EUR 27.84 million for a period of 10 years. The remainder (56.3%) is expected to be financed, mainly, with the funds generated by the Company itself.

The new Ercros Group which will emerge after the Act Plan will continue to be present, or even increase its presence, in the markets where it is currently active and will have a more balanced customer portfolio oriented toward products with greater added value. In addition to being less dependent on electricity and products related to chlorine, it will also reduce the current sensitivity of its ebitda to the economic cycle. The Group, in addition to continuing to have little debt, will have renovated efficient and competitive plants which are well positioned with respect to their markets and the accessibility of their inputs.

e) Results

Consolidated income statement

EUR MILLION

Concepts	Year 2016	Year 2015
Income	619.59	627.21
Turnover	602.54	618.27
Other income	4.38	6.37
Changes in inventory	12.67	2.57
Expenses	-561.34	-594.59
Procurements	-270.22	-279.41
Supplies	-101.85	-124.22
Employee benefits expenses	-81.82	-79.86
Other operating expenses	-107.45	-111.10
Ebitda	58.25	32.62
Depreciation and amortization expenses	-19.37	-19.87
Reversal of the impairment loss of certain assets	11.99	0.00
Ebit	50.87	12.75
Finance costs	-5.44	-7.65
Exchange differences	-0.12	1.65
Profit before tax	45.31	6.75
Taxes	-0.15	0.49
Profit for the year	45.16	7.24

Sales by division

EUR MILLION

	Year 2016	Year 2015
Chlorine derivatives	389.09	385.11
Intermediate chemicals	160.59	184.33
Pharmaceuticals	52.86	48.83
Ercros	602.54	618.27

Ebitda by divisions

EUR MILLION

	Year 2016	Year 2015
Chlorine derivatives	33.35	13.69
Intermediate chemicals	16.00	11.84
Pharmaceuticals	8.90	7.09
Ercros	58.25	32.62

f) Social indicators

	Year 2016	Year 2015
Average headcount (number of employees)	1.357	1.369
IF	2.97	1.67
Global IFG	4.85	3.03
Absenteeism	4.50	4.17
Emission rate	1.060	1.058
Direct emissions of CO ₂ (Ton million of equivalent CO ₂) ¹	0.66 ²	0.67
Quality certification activity (%)	100.00	100.00
Environmental certification activity (%)	100.00	100.00
Prevention certification activity (%)	100.00	100.00

¹ Direct and indirect CO₂ emissions (scopes 1 and 2).

² Pending external verification.

Calculation formula and purpose of each indicator:

IF:

- Calculation: number of accidents with leave of own personnel × millions of worked hours.
- Purpose: measure the ratio of accidents suffered by own personnel.

Global IFG:

- Calculation: number of accidents with or without leave of own and third-party personnel × millions of worked hours.
- Purpose: measure the ratio of total accidents, with or without leave, suffered by all the people working in the Group's factories, whether they belong to the Group or not.

Absenteeism:

- Calculation: percentage of lost days ÷ total theoretical days to be worked in the year.
- Purpose: know the percentage of lost days due to non-occupational sickness.

Emission ratio:

- Calculation: volume of most significant pollutants (air, water and waste), a factor that varies based on their danger.
- Purpose: measure the evolution of the Company's environmental behaviour.

CO₂ emissions:

- Calculation: in accordance with standard UNE-EN ISO 14064-1:2012 guidelines.
- Purpose: measure the impact of the activity on climate change.

Activity with quality certification:

- Calculation: percentage of centres with the ISO 9001 certification ÷ total centres.
- Purpose: know the stage of implementation of a quality management system in the Group.

Activity with environmental certification:

- Calculation: percentage of centres with the ISO 14001 certification ÷ total centres.
- Purpose: know the stage of implementation of an environmental management system in the Group.

Activity with prevention certification:

- Calculation: percentage of centres with the OHSAS 18001 certification ÷ total centres.
- Purpose: know the stage of implementation of an occupational risk prevention management system in the Group.

×= multiplied ÷= divided

a) Mission and principles

The general intention of Ercros is the consolidation of a solid and long-lasting industrial business, one that contributes to the wealth and welfare of society, which repays the trust placed in it by its shareholders and that allows for the full personal and professional development of those who form a part of it.

Ercros' actions, aimed at increasing its value, are guided by three basic principles: (i) maximum security for its employees, neighbours and facilities; (ii) absolute respect for the environment, and (iii) meeting the needs of its customers and the total quality of its products.

Ercros' objectives in the area of ethics and the values established in the Corporate social responsibility plan ("CSR plan") are:

- To internalise ethical values and principles in the organisation, and
- To achieve a regulatory framework that allows progress to be made in the fulfilment of the Corporate social responsibility policy ("CSR policy").

The main instruments for achieving these objectives are: the ethics and social responsibility committee ("ESRC"), training and voluntary external programmes and agreements.

b) The ethics and social responsibility committee

The ESRC acts as a collegiate, consultative, internal and permanent body. It is comprised those responsible for the areas of Ercros directly involved in social responsibility: general secretariat, sustainable development, human resources, integrated logistics, administration and production.

Its duties include advising management on initiatives relating to social responsibility, identifying the risks related to this matter and preparing the Social responsibility report.

The ESRC meets twice a year. The first meeting is held during the first half of the year and follows-up on the actions carried out by each area in that year. A second meeting is held at the end of the year and assesses the actions taken and approves the CSR plan containing the objectives and actions for each area for the coming year.

c) Corporate social responsibility policy

Ercros adopts the principles of social responsibility as part of its value system and these are reflected in its CSR policy.

Ercros has had a CSR policy since 2011 and the latest amendments to this by the board of directors took place on 18 February 2016. The purpose of this amendment was to adapt its content to the 54th recommendation of the Code of good governance ("CGG"), which deals with the principles that must be included in a social responsibility policy.

The CSR policy is implemented through regulations, policies, plans and procedures, which specify the principles of action for Ercros in each area. Ercros' sector departments establish, in their respective areas, the activities and objectives necessary for the fulfilment and continuous improvement of the principles contained in the aforementioned policy.

d) The Code of ethical conduct

The Code of ethical conduct ("Ethical code") defines the principles and standards of ethical conduct that must govern the actions of the employees of Ercros when exercising their professional activity. Its scope of application extends to the members of the board of directors and the management committee, and also to suppliers in general while they are providing their services at Ercros.

In 2016, Ercros continued to carry out a dissemination and observance campaign for the Ethical code among its priority stakeholders. Whilst in 2015 it focused on its own staff, in such a way that 100% have now signed to signify their compliance, in 2016 it was the turn of the suppliers of logistics, goods and services to be the campaign's priority. In this case, observance of the Ethical code has been produced in different ways: (i) because they have signed up to observing Ercros' Ethical code; (ii) because in their respective contracts there is an ethical clause or certain ethical commitments; (iii) because they have their own ethical code, and/or (iv) because each order also includes an ethical clause.

Linked to the Ethical code is the Ethical channel that establishes the mechanism through which complaints can be submitted on alleged breaches of the standards included in the Ethical code. In 2016 no reports were made through the Ethical channel.

The audit committee is responsible for managing any complaints submitted through the Ethical channel, along with, by delegation, the internal auditor. This committee also ensures confidentiality in relation to the facts reported and ensures that there are no reprisals against complainants.

e) The Internal code of conduct for securities market matters

The Internal code of conduct for securities market matters ("ICC") regulates the rules of conduct that must be observed by the people included within its scope of application in terms of the actions of Ercros and insider information.

On 30 June 2016, the board of directors agreed to amend the 2008 text in order to adapt its content to the provisions of Regulation 596/2014 of the European Parliament and of the Council of 16 April, on market abuse, and in the consolidated text of the Spanish securities market act, approved by Royal Legislative Decree 4/2015, of 23 October, and its implementing regulations.

As a result of updating this regulation, Ercros carried out a dissemination campaign on its new features and this targeted those people who need to comply with it. Ercros is currently working to transfer the amendments made to the ICC to the Ethical code and Ethical channel.

f) Corporate policies and internal procedures

In 2016, Ercros approved the following corporate policies deriving from the CSR policy:

- The Directors' selection policy [see section a) (iii) of chapter 6. Shareholders and investors].
- The Policy on allowances for attending general meetings [see section a) (iv) of chapter 6. Shareholders and investors].
- The Policy on communication and contact with shareholders, institutional investors and proxy advisers [see section a) (ii) of chapter 6. Shareholders and investors].

Other current policies, also deriving from the CSR policy, are as follows:

- The Sustainability policy [see section b) of chapter 7. The Environment].
- The Energy policy [see section b) of chapter 7. The Environment].
- The Equality and non-discrimination policy [see section b) of chapter 5. Human resources].
- The Work-life balance policy [see section b) of chapter 5. Human resources].
- The Communication policy [see section a) of chapter 11. Communication and dialogue].

Ercros also prepares the following plans and reports each year:

- The CSR plan.
- The Sustainability plan [see section a) of chapter 7. The Environment].
- The Economic and financial report [see section b) (i) of chapter 11. Communication and dialogue].
- The Corporate governance report [see section b) (i) of chapter 11. Communication and dialogue].
- The Directors' remuneration report [see section b) (i) of chapter 11. Communication and dialogue].
- The Corporate social responsibility report [see section g) below].
- The Equality report [see section b) of chapter 5. Human resources].

Ercros has internal procedures for ensuring the fulfilment and implementation of internal regulations. In 2016, two new procedures were drafted and twenty eight were updated.

g) External voluntary programmes and agreements

The CSR policy is in line with the following programmes and agreements that Ercros has voluntarily signed:

- The Responsible Care programme: Ercros is a leading company in the application of this international programme, of which it has been a member since 1994. This programme is an initiative from the global chemical industry and is being promoted in Spain by the Federación Empresarial de la Industria Química Española ("Feique"). In 2016, Ercros' degree of compliance with the management practices codes from the programme was 99.4% (99.2% in 2015), which is above average for all member Spanish companies.
- The Global Compact agreement: Ercros has been signed up to this agreement, promoted by the United Nations ("UN"), since 2000. The objective of this agreement is to achieve a commitment from companies in matters of social responsibility through the application of ten universal principles. The 2015 report, presented in 2016, was classified as advanced.
- Sustainability management systems: Ercros applies management systems in its centres that are accredited by independent companies, following internationally recognised standards. Specifically, the standards ISO 14001, ISO 14064, ISO 50001 and EMAS are applied in environmental matters; the standard ISO 9001 in quality matters, and the standard OHSAS 18001 in occupational health and safety matters.

- The Code of good governance for listed companies ("CGG"): Approved by the Spanish National Securities Market Commission ("CNMV"), the CGG contains 64 recommendations, 12 of which are not applicable to Ercros. Of the remaining 52 recommendations, it complies with 50. In terms of the other two, it partially complies with one and can explain its non-compliance with the other. Consequently, in 2016 the degree of compliance with the CGC recommendations applicable to it was 96.2%, compared to 92.3% in 2015.
- The XVIII General agreement for the chemical industry for 2015-2016 [see chapter 5. Human resources].
- The guide to applying CSR in the chemical sector: Promoted by Federación Empresarial de la Industria Química Española ("Feique") in collaboration with Forética, this contains a series of indicators Ercros uses to produce its Corporate social responsibility report. This report is audited by Bureau Veritas and, since its first edition in 2011, has been awarded an "excellent" rating. The 2015 report, submitted in 2016, was published on an annual basis for the first time, instead of every two years as was seen for past editions. This report contained the four improvement actions proposed by the auditor. The Company also complies with the obligation contained in Ministerial Order ESS/1554/2016, on the registration and publication of social responsibility and sustainability reports, which establishes the obligation for companies with more than 500 employees to disclose non-financial information and information on diversity on the website of the Spanish Ministerio de Empleo y Seguridad Social (<https://explotacion.mtin.gob.es/memrse>).
- The CDP questionnaire: The CDP is an independent global organisation that evaluates the efforts made by businesses to seek solutions for and mitigate the effects of global warming through disclosure and transparency. In 2016 the questionnaire issued by Ercros obtained a C rating with regard to the section on the transparency of information and conduct in relation to climate change, among other matters.
- The Ecovadis CSR rating: The objective of this rating is to improve businesses' environmental and social practices by taking advantage of the influence of global supply chains. In 2016, Ercros improved its advanced rating by 11 points to obtain 75 points out of 100 (64 points in 2015).

On 20 December 2016, Ercros' Sabiñánigo factory received the Aragón socially responsible business ("RSA") seal, awarded by the government of this community along with the Confederación Española de Organizaciones Empresariales («CEO»), the Confederación Española de la Pequeña y Mediana Empresa («Cepyme») and the trade unions UGT and CC.OO. In order to obtain the RSA seal, this factory was subject to a diagnosis and validation process on its best practices in social responsibility matters and signed a commitment for management transparency with regard to the people employed, excellence in management and protection of the surroundings and environment.

h) Partnership

The company maintains a direct and active participation in various business organizations, (sectoral and/or territorial), such as:

- Organizations in the chemical sector: European Chemical Industry Council ("Cefic"); Federación Empresarial de la Industria Química Española ("Feique"); Federación Empresarial Catalana del Sector Químico ("Fedequim"); Associació Empresarial Química de Tarragona ("AEQT"), and Federación de Empresas Químicas y Plásticos de Aragón ("Feqpa"). And ChemMed.
- Product manufacturers organizations: European Association of Chlorine Producers («EuroChlor»); Asociación Española de Fabricantes de Cloro-Álcali ("ANE"); Plastics Europe; European Council of Vinyl Manufacturers ("ECVM"); Cicloplast; Asociación Española de Plásticos Biodegradables Compostables ("Asobiocom"); Asociación Europea de Fabricantes de Formaldehído ("Formacare"); Asociación Europea de Resinas Fenólicas ("EPRA"); Asociación de Fabricantes de Química Fina ("Afaquim"); Asociación Internacional de Productores y Consumidores de Metanol ("Impca"); Asociación de Empresas con Gran Consumo de Energía ("AEGE") and Instituto Tecnológico del Embalaje, Transporte y Logística ("ITENE").
- Local business organizations: Cámaras de Comercio, Industria y Navegación de Madrid, Reus y Tarragona; Fomento del Trabajo Nacional de Cataluña; Confederación de Empresarios de Aragón ("CEO Aragón"); Confederación Empresarial Oscense ("CEOS"); Federación Empresarial Intersectorial de la Comarca del Cinca Medio ("CEOS-Cepyme Cinca Medio"); Asociación de Empresarios Pirineos Alto Gállego ("AEPAG"); Asociación de Empresarios de Cardona ("AEC"); Asociación Cerdanyola Empresarial y Asociación de Empresarios de Polígono Industrial Baix Ebre de Tortosa ("Apibe").
- Business organizations: Asociación para el Progreso y la Dirección ("APD") and Círculo de Economía de Barcelona.

a) Management model

Ercros has developed and consolidated a human resources management model that is in line with the situation in the industry and the business environment in which it performs its activities.

The social responsibility objectives established in the CSR plan for the workforce and occupational health and safety, are:

- To achieve the commitment and involvement of the staff in meeting the company's social responsibility objectives;
- To promote the personal and professional development of the people who work at the company;
- To provide a work environment with no discrimination or bullying, based on equal opportunities; and
- To promote safety in the workplace, the prevention of occupational risks and the health of people.

Included among the instruments Ercros has to achieve these objectives are: the collective agreement; joint committees; training plans; communication channels; the occupational health and safety management system and satisfaction surveys.

In 2016, the manual of best practice in the selection of basic staff positions was approved, establishing the process to be followed when selecting basic staff positions, in order to standardise the selection principles across the entire Group and allowing for the selection of the candidate best suited to the characteristics of each vacant position.

The results of this effort and dedication were seen in 2016 when Ercros was a finalist in the group composing companies from the Spanish chemical sector, in the seventh edition of the Randstad Awards for most attractive employer. This award assesses the economic conditions of the companies, their future prospects and the working environment.

During the first quarter of 2016, union elections were held at the centres in Aranjuez, Barcelona, Flix, Tarragona and Tortosa, in which UGT obtained 21 representatives; CC.OO, 17; and USO, 3.

b) Regulatory framework

The framework in which Ercros' working relationships are developed is the general collective bargaining agreement for the chemical industry and the legislation on this matter. The XVIII General agreement for the chemical industry, corresponding to 2015-2016, is currently in force.

In equality matters, the reference external regulations are: the law on equality; the sixth principle of the Global Compact agreement and chapter XVII on equal opportunities in the aforementioned collective agreement. Internally, the regulation applied in this matter is the CSR policy, and more specifically:

- The Equality and non-discrimination policy, which promotes actions that contribute to effective equality, ensures non-discrimination and prevents and sanctions sexual harassment.
- The Work-life balance policy, which facilitates the application of measures to balance personal and work life and ensures that there is no form of retaliation or discrimination against people opting for a work-life balance measure.
- The Equality plan, which examines the position on equality and establishes improvement actions on the basis of that assessment.
- Rules 4.3 and 4.4 of the Ethical code, which deal with equal opportunities and non-discrimination and the balancing of family and work life, respectively.
- The Ethical channel procedure, which allows for the processing of sexual or gender harassment reports.
- The Manual on the prevention of sexual and psychological harassment, which provides guidelines that seek to identify and prevent harassment behaviour linked to gender or morality.
- The Manual on the use of non-sexist language, which provides guidelines for using a language that is respectful of human diversity.
- The committee for equal opportunities and non-discrimination, which is the body responsible for applying the Equality plan, ensuring compliance with it and providing information on the evolution of the right to equal opportunities and non-discrimination. It has a joint composition and is formed by legal representatives of the employees and representatives of Ercros.

The committee met in September 2016 in order to, among other matters, analyse the Equality report for 2015, report on the operation of the Ethical channel in relation to equality and non-discrimination, etc.

The training management and telephone protocol procedures were reviewed throughout the year, along with the Manual of best practices for the selection of basic staff positions.

c) Gender diversity and equal opportunities

Ercros does not discriminate on the basis of gender in any way in the selection, pay or functional policy.

Women represent 15% of Ercros' workforce and primarily perform technical and administrative tasks. In 2016, the number of women increased by one percent compared to 2015 due to the increase in the average female workforce by six in a context where the average total workforce has reduced by 12 people. Despite this, the presence of women in the workforce is not what is desired. The management expects that the implementation of the equality plan and the generational handover will bring the workforce closer to gender parity.

In terms of work categories, gender parity only exists among the administrative positions. Since 21 March 2017, parity has also existed in the board of directors, which is the Company's highest decision-making body, as a result of the incorporation of the independent director Mrs Carme Moragues Josa. Previously, on 10 June 2016, the ordinary general shareholder's meeting had approved, for the first time in the history of Ercros, the presence of a woman on the board of directors with the appointment of Mrs Lourdes Vega Fernández as independent director. Of the five members currently composing the board, two are women.

In 2016, the number of women holding senior management positions also increased from five to six. In that year, the number of male senior managers fell from 26 to 24, so the percentage of female senior managers among all managerial staff is 20%, compared to 16.1% in 2015.

A survey was conducted throughout the final quarter of last year to assess the employees' degree of knowledge about the equal opportunities tools in Ercros. 65% of the people who answered the survey claimed to know about the equality policy; 60% felt that Ercros is committed to equality; 56% said they knew about the manual for the prevention of sexual and psychological harassment; over 50% stated that they knew the procedure to follow in the event of becoming aware of or being subject to a violation of the ethical code, and 45% rated the ease of access to work-life balance measures as positive. 35% of the staff answered the survey. In terms of gender, 72% of women and 29% of men responded.

The Group complies with the 2% target for hiring staff with a disability greater than or equal to 33%, which is covered through direct hiring and hiring the services of special employment centres. In 2016, there were 15 people in this situation in the workforce (14 people in 2015).

d) Headcount evolution

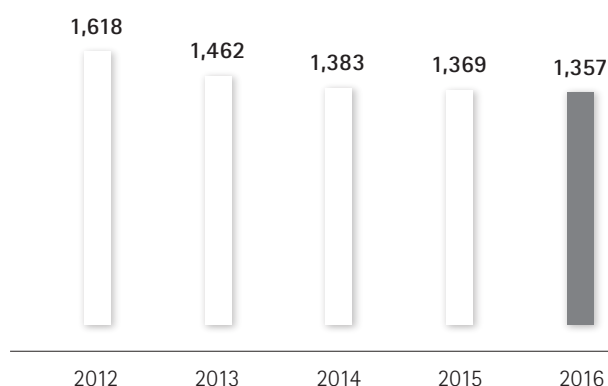
The average workforce in 2016 was comprised 1,357 people, 12 people fewer than in 2015. This is mainly due to the sale of the factory in Palos de la Frontera in June 2015. At the close of the year, the workforce was comprised 1,350 employees.

In 2016, 100% of the job positions were described and 96.7% of the average workforce had a permanent contract (94.6% in 2015).

The decrease in the average workforce did not cause changes in the structure of work categories compared to 2015. Technical staff represents 43% of the average total workforce, operators and subordinate staff 42% and administrative staff 15%. Women mainly perform technical and administrative tasks.

Evolution of the average headcount

NUMBER OF EMPLOYEES



Evolution of the average headcount by centers

	Year 2016		Year 2015	
	N. of people	%	N. of people	%
Center	1,196	88.1	1,199	87.7
Tarragona complex	299	22.1	298	21.8
Vila-seca II	135	9.9	134	9.8
Vila-seca I	134	9.9	126	9.2
Tarragona	31	2.2	38	2.7
Sabiñánigo	206	15.2	204	14.9
Aranjuez	194	14.3	188	13.8
Flix	119	8.8	119	8.7
Almussafes	109	8.0	105	7.7
Tortosa	108	8.0	105	7.7
Cerdanyola	93	6.9	93	6.8
Cardona	36	2.7	36	2.6
Monzón	30	2.2	30	2.2
Palos de la Frontera	0	0.0	23	1.7
Comercial	34	2.5	35	2.5
Corporation	127	9.3	133	9.7
Ercros	1,357	100.0	1,369	100.0

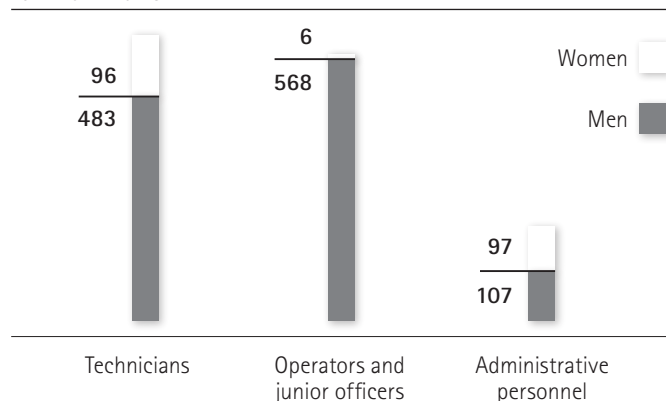
Average headcount by category and gender

NUMBER OF EMPLOYEES

	Year 2016			Year 2015		
	Total	Men	Women	Total	Men	Women
Technicians	579	483	96	583	493	90
Administrative personnel	204	107	97	207	109	98
Operators and junior officers	574	568	6	579	574	5
Total	1,357	1,158	199	1,369	1,176	193

Distribution of the category by gender

NUMBER OF EMPLOYEES



e) Accident rate and health and safety

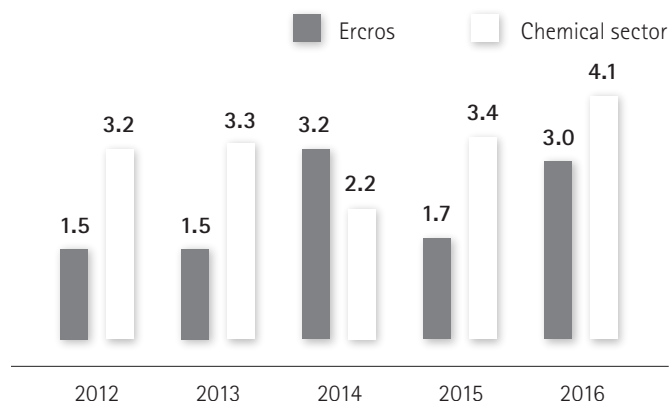
In 2016, the Group's accident frequency rate, which measures the number of accidents with leave among internal staff for every 1 million hours worked, was 2.97, compared to 1.67 in 2015.

In the past year, the overall accident rate, which measures the number of accidents - with and without leave - of both internal and external staff for every 1 million hours worked, was 4.85 (3.03 in 2015), with a total of 16 accidents, of which 12 resulted in medical leave. In comparison to the overall accident rate for the last five years, this is 42.2% higher.

Between 2015 and 2016 there was an increase in the number of accidents among both internal staff (increasing from 6 to 10) and staff from contracted companies (increasing from 4 to 6).

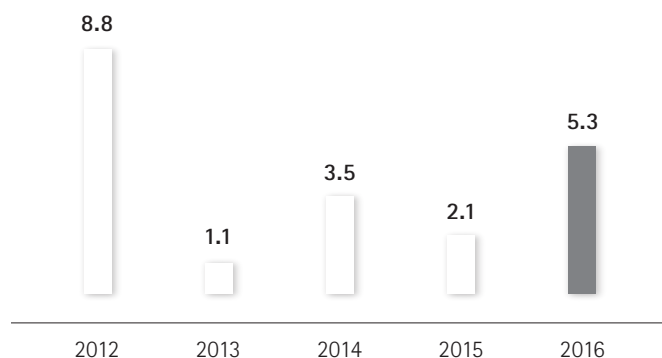
As a result of this rise in the accident rate, corrective measures and awareness raising actions were implemented among the workforce in order to improve prevention and reduce the accident rate. Among these measures it is worth highlighting the increase in safety training among middle management and the rest of the employees through meetings of the Dialogue improvement plan; the carrying out of safety inspections and preventative observations; the integration of prevention into all hierarchical levels; the monitoring of work permits; the awareness campaign with the "Think about prevention" slogan, which includes various actions; streamlining communication and the dissemination of incidents; and the regular review of certified work teams.

Accident frequency rate ¹



¹ Accident frequency rate: Number of accidents with leave of own personnel × millions of worked hours

Accident frequency rate on contractors ¹



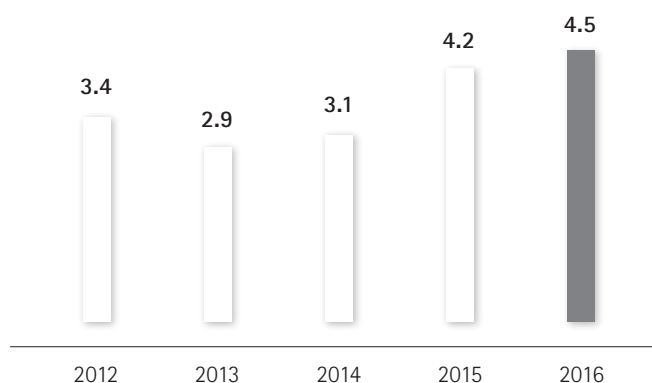
¹ Accident frequency rate: Number of accidents with leave of external personnel × millions of worked hours

In 2016, Feique's comprehensive safety committee recognised the Almussafes and Aranjuez centres with the 2016 Feique sSafety award. This award is given to those production centres in the chemical industry with over 50 employees that during the year have obtained a general frequency rate of zero.

At 31 December 2016, the centre in Barcelona had enjoyed 24 uninterrupted years without accidents with leave among its internal staff. The equivalent figure was 18 years in Tarragona; 15 in Cardona; 11 in Vila-seca I, two in Tortosa and Monzón, respectively, and one in Sabiñánigo and Flix, both respectively.

The work absenteeism rate, defined in accordance with the parameters of the general agreement for the chemical industry, was 4.5% in 2016 (4.2% in 2015). The Group's objective is to reduce the absenteeism rate to below 3%, the level reached two years ago, and to achieve this it monitors all staff leave and holds monthly meeting to monitor this leave with those responsible for the mutual funds for accidents at work it has contracted, the intention being to speed up diagnosis and treatment.

Absenteeism rate ¹



¹ Absenteeism rate = Hours of absenteeism (as per the definition of the chemical industry collective bargaining agreement) ÷ by the total possible number of workable hours times × 100.

Every year, Ercros carries out an informative campaign to promote prevention aimed at all staff working at its facilities. In 2016, the campaign's slogan was "You can prevent it. Always use the right protection".

It also carries out an annual vaccination campaign. In the framework of this campaign, 280 people were vaccinated throughout 2016 (205 for flu and 75 for tetanus and diphtheria). Epidemiological studies on the most frequent pathologies are also carried out at each work centre.

The production centres carry out specific campaigns aimed at accident prevention, health monitoring, the adoption of healthy habits and the control of exposure risks. Specifically in 2016, in the framework of the campaigns on the adoption of healthy habits, Ercros carried out campaigns on food and physical exercise; smoking and alcohol; cardiovascular risks; managing stress; caring for your back and preventing diabetes, in which 761 people participated, 22% more than in 2015. Ercros also provided training courses to 1,923 people on the use of defibrillators; first aid and emergencies; risks specific to job positions; cardiopulmonary resuscitation; household hazards and noise.

f) Risk management and control system

All of Ercros' facilities have certified their occupational health and safety management system in accordance with the OHSAS specification 18001:2007 (Occupational health and safety management systems), a certification that they renewed in 2016.

Since the beginning of 2016, Ercros has received several claims from former employees, or their heirs, for compensation due to damages relating to exposure to asbestos. These complaints are added to those already being managed by Ercros for the same reason and the final total is 11, for a total estimated amount of EUR 1.5 million. These types of liabilities are not attributable to Ercros' current management, nor do they relate to damage caused to current, active employees. Rather, they are liabilities claimed against the group as the universal successor of companies that have been defunct for many years and are not related in any way to current activities.

On 3 September 2016, the Inspección provincial de trabajo y seguridad social of Madrid imposed a penalty on Ercros amounting to EUR 4,000 plus the 40% social security surcharge not yet quantified, due to non-compliance with the law on occupational risk prevention and Royal Decree 486/97 on the minimum occupational health and safety provisions, as a result of the accident that occurred on 17 April 2014 that affected an employee from the Aranjuez facility.

g) Training

Ercros' competitiveness largely depends on the professional skills of the people who work there and their opportunity to develop and grow at work.

Training is seen as a key element of the Ercros staff management model and responds to the commitment to balance the personal expectations of its staff with the needs and availabilities of Ercros.

Technical prevention, specific training for the job and technical development are the areas that receive most attention in the Training plan.

During 2016, the Group organised 491 training courses that were attended by 5,716 participants for a total of 34,936 educational hours (in 2015, 4,838 attendees received training on 380 training courses for a total of 28,798 educational hours). Of these actions, 135 courses received a subsidy through the Fundación Tripartita para la Formación en el Empleo (Fundae, a Spanish state foundation that promotes employment), which were attended by 1,129 people for a total of 15,266 educational hours.

In 2016, everybody in the workforce who attended a course received an average of 27.75 training hours (21.04 in 2015).

Staff from contracted goods and services companies received 1,508 training hours.

The cost of the training amounted to EUR 176,870.45 (EUR 126,730.07 in 2015), of which EUR 165,789.04 came from the grant awarded by Fundae, which was 100% utilised.

The training committee prepares the Training plan each year. This joint committee is comprised representatives of the management of Ercros and of the employees. The trade unions also form part of the security, occupational health and environment committee, as well as the health and safety committees in each work centre.

The Group has signed 25 agreements with education centres for work experience at its work centres. In 2016, 52 vocational training students, graduates and postgraduates took up this opportunity (the same number as in 2015) [see section b) (ii) of chapter 10. Contribution and cooperation with society].

Ercros regularly performs official emergency drills involving both internal and external employees that are audited by an external company, as well as internal drills and those in collaboration with other organisations and neighbouring companies. In 2016, 17 official drills (21 in 2015), 50 internal drills (37 in 2015) and six drills within the framework of the Ceret agreement, to provide assistance in the event of a road accident (5 drills in 2015), were performed.

The Group has a Welcome manual with different versions for each business and work centre. This is given to new employees, along with the Ethical code. In 2016, 85 people received this manual.

a) Corporate governance and internal regulations

Ercros incorporates the best practices in order to keep its shareholders and the market informed, promote transparency and the proper functioning of markets and preserve the interests of investors with regard to confidentiality of information, insider information, conflicts of interest, transactions with treasury stock and market manipulation.

In order to adapt its internal regulations Ercros pays special attention to changes in the legislation and the recommendations on good governance. As a result of this concern, throughout 2016 the board of directors updated the company's articles of association, regulation of the shareholders' meeting and the Internal rules of conduct on matters related to the stock market ("IRC") and approved three new corporate policies (all of these documents are available on the Ercros website).

Each year Ercros publishes the Corporate governance report ("CGR") and the Report on directors' remuneration ("RDR"), whose content is legally regulated. The CGR includes an explanation of the degree of compliance with the recommendations contained in the Good governance code ("GGC") [see section g) of chapter 4. Ethics and values].

(i) Internal rules of conduct on matters related to the stock market and other internal regulations

On 30 June 2016, the board of directors approved the amendment of the IRC in order to adapt it to the provisions of Regulation 596/2014 of the European Parliament and of the Council of 16 April, on market abuse and of the consolidated text of the Spanish Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and its implementing regulations.

During 2017, Ercros needs to adapt the content of the Ethical code to the amendments made to the RIC [see section e) of chapter 4. Ethics and values].

(ii) Policy on communication and contact with shareholders, institutional investors and proxy advisers

The Policy on communication and contact with shareholders, institutional investors and proxy advisers, approved by the board on 18 February 2016, implements that set out on this matter in chapter X of the Regulation of the board of directors and in recommendation 4 of the GGC.

(iii) Directors' selection policy

Approved by the board on 18 February 2016, with a favourable report from the appointments and remuneration committee, the Directors' selection policy implements that established in

this matter in the Regulation of the board of directors and in recommendation 14 of the GGC.

(iv) Policy on allowances for attending general meetings

Approved by the board on 29 September 2016, the stable Policy on allowances for attending general meetings contains that set out in recommendation 11 of the GGC.

b) Governing bodies

(i) General shareholders' meeting

This is the company's highest decision-making body in matters within its competence. It represents all shareholders and its agreements are binding on all shareholders.

Its operation is regulated by the Regulation of the shareholders' meeting. In 2016, the ordinary general shareholders' meeting approved the amendment of articles 9 and 12 in order to adapt their content to articles 16 and 21 of the Articles of association, respectively, which had been amended to adapt or update their content to the new legal developments and established practice.

In 2016 Ercros held the mandatory ordinary meeting on 10 June, and two extraordinary meetings on 29 September and 15 November, respectively.

The ordinary shareholders' meeting approved all the regular proposals for motions and renewed positions within the board of directors. There were 9,487 holders of 81,792,010 shares in attendance at the meeting, representing 71.7% of the subscribed share capital with voting rights, of which 13.9% were present and the remaining 57.8% were represented.

The extraordinary meeting in September, convened at the request of shareholders representing 3.28% of the share capital, approved the proposals relating to renewing the delegation to the board of directors of the powers to increase the share capital and issue negotiable securities. There were 8,947 holders of 81,623,176 shares in attendance at the meeting, representing 71.5% of the subscribed share capital with voting rights, of which 13.2% were present and the remaining 58.4% were represented.

The second extraordinary meeting was held in November as a result of the three motions excluded from the previous extraordinary meeting because the board deemed that they were matters that, legally, came under its powers. The motions discussed, which were rejected by the meeting, made reference to the approval of an attendance allowance policy; the reduction of the maximum annual amount to be received by directors and the distribution of dividends in the event that profits were distributed in 2016. There were 8,983

holders of 82,291,433 shares in attendance at the extraordinary meeting, representing 72.1% of the subscribed share capital with voting rights, of which 15.7% were present and the remaining 56.4% were represented.

(ii) Board of directors

This is the Company's highest decision-making body, except in matters reserved for the general meeting. Its operation is regulated by the Regulation of the board of directors.

On 5 May 2016 the board agreed to appoint Mr Daniel Ripley Soria as non-director secretary of the board of directors to replace Mr Santiago Mayans Sintes who left the Company upon his retirement.

On 10 June 2016 the ordinary shareholders' meeting approved the renewal of the composition of the board of directors. As a result of this, Mrs Lourdes Vega Fernández and Mr Jordi Dagà Sancho were appointed as independent directors to replace Mr Ramón Blanco Balín and Mr Luis Fernández-Goula Pfaff, respectively, who ceased to act as directors when the term for which they were appointed came to an end. The shareholders' meeting also reappointed Mr Antonio Zabalza Martí as executive director, and Mr Laureano Roldán Aguilar and Mr Eduardo Sánchez Morrondo as directors in the category of "other external directors". The latter of the two ceased to be an independent director due to belonging to this category for 12 consecutive years.

Mr Dagà Sancho passed away on 26 December 2016 and was replaced by Mrs Carme Moragues Josa on 21 March 2017.

Following these changes, the composition of the board of directors is set at five members and is equal in terms of gender.

In 2016 the board met on 15 occasions, 8 of which were in person, 5 of which were conducted in writing without convening a formal meeting and 2 of which were held via telephone conference calls. All of the directors attended 12 meetings and in the 3 remaining meetings, the absent directors delegated their votes to a non-executive director.

(iii) Monitoring and control committees

As a result of the changes made to the composition of the board of directors, on 10 June 2016, following a report from the appointments and remuneration committee, the board appointed the members of the audit committee and the appointments and remuneration committee.

The audit committee was comprised: Mr Dagà Sancho, chairman, and Mr Roldán Aguilar and Mrs Vega Fernández, members. In 2016 the audit committee held 5 meetings that were attended by all of its members. The internal audit service reports to the audit committee. On 15 July 2016, Mr Xavier Álvarez García replaced Mr Pedro Bienes Bonet as head of this service, who left the Company due to the reorganisation of this department.

The appointments and remuneration committee was comprised: Mrs Vega Fernández, chairwoman, and Mr Sánchez Morrondo and Mr Dagà Sancho, members. In 2016 the committee held four meetings, two of which were attended by all of its members and in the other two the absent director delegated his vote.

Due to the death of Mr Dagà Sancho, Mrs Vega Fernández temporarily held the position of chairwoman of the audit committee until it was filled by Mrs Moragues Josa following her appointment by the board. This director was also appointed as a member of the appointments and remuneration committee, and coordinating director.

c) Information transparency and dialogue with shareholders

Throughout 2016, Ercros presented to the market, through publishing these on the National Securities Market Commission ("CNMV") and Ercros websites, 37 relevant facts and the mandatory annual reports: the Economic and financial report, Corporate governance report, Directors' remuneration report, as well as the CSR report, which was voluntary.

The shareholders' office, which manages the relationship with shareholders, responded to 417 information requests in 2016 and held seven meetings with shareholders. Throughout the year, 25 information notes were sent by post or e-mail to the 236 shareholders who had requested this.

The "Shareholders and investors" section of the corporate website increased its number of visits by 34%, up to 23,911 people over the year.

Since 2014 the corporate website has also allowed, on request, the regular receipt of a newsletter with news about Ercros. In 2016, nine newsletters were sent to an average of 87 recipients (eight newsletters to an average of 72 recipients in 2015).

During the period between the call and holding of the shareholders' meeting, Ercros provided a mechanism on its website so that shareholders could vote on the motions submitted to the meetings and delegate their representation through electronic means, as well as participate in the electronic shareholders' forum.

d) Share performance

Ercros ended 2016 with a market capitalisation of EUR 209.92 million, three times greater than the figure seen in 2015 (EUR 70.28 million). At 31 December 2016, the company's share price reached EUR 1.84, representing a 197% increase with respect to 2015.

In the first four months of the year, Ercros shares remained unchanged in terms of trading and price, in line with the close of the previous year. The outlook changed radically after the month of May when, in the wake of first quarter results, the price began to improve. As a result, on 7 November the share price reached its maximum for the year at EUR 2.41 per share, a level not reached over the last eight years.

On 22 July a record was set for the year for the most shares traded in a single day, 4.70 million. The average trading volume for the year was 509,346 shares per day.

For the first time since 2009, the number of shares traded in the year exceeded the number of shares making up the share capital, by a multiple of 1.15 (0.81 in 2015).

In 2016 Ercros shares were ranked fifth in terms of increases on the Spanish Continuous Stock Market. In comparison with the main indices, Ercros had risen 197% between 2015 and 2016 year end, while the Ibex-35 and the general index of the Madrid Stock Exchange ("IGBM") fell 2%; the same percentage by which the industrial index for basic and construction materials ("ICNS") rose.

Main share-related parameters

	31-12-16	31-12-15	31-12-14	31-12-13	31-12-12
Shares on the stock market (millions)	114.09	114.09 ¹	112.23 ²	107.03 ³	101.50 ⁴
Capitalisation (EUR million)	209.92	70.28	44.12	50.27	40.60
Shares traded (millions)					
In the course of the year	130.90	92.91	63.72	65.49	34.55
Maximum in one day	4.70	5.92	1.48	1.66	1.21
Minimum in one day	0.02	0.02	0.01	0.02	0.01
Daily average	0.51	0.36	0.25	0.26	0.13
Volume traded (EUR million)					
In the course of the year	187.86	55.99	31.35	32.13	18.62
Daily average	0.73	0.22	0.25	0.13	0.07
Share price (EUR)					
High	2.41	0.86	0.58	0.61	0.74
Low	0.44	0.39	0.37	0.35	0.36
Average	1.44	0.60	0.49	0.49	0.53
Last	1.84	0.62	0.39	0.47	0.40
Frequency rate (%)	100.00	100.00	100.00	100.00	100.00
Liquidity rate (%)	101.15	81.43	56.76	61.89	34.04

¹ 2015 Yearly average = 113.99 million shares.

² 2014 Yearly average = 110.17 million shares.

³ 2013 Yearly average = 103.52 million shares.

⁴ 2012 Yearly average = 100.77 million shares.

a) Environmental social responsibility

Ercros' objectives with regard to protection of the environment contained in the CSR plan are aimed at:

- Preventing contamination.
- Reducing the consumption of energy supplies and natural resources.
- Reducing the emission of greenhouse gases.
- Ensuring the most suitable treatment of industrial waste.

In 2016, Ercros incurred expenses for environmental protection and improvement actions amounting to EUR 18.20 million (EUR 16.41 million in 2015).

On 5 December 2016, during the Cerdanyola business evening the Cerdanyola Business Association awarded the factory in Cerdanyola the Corporate social responsibility award for its social responsibility policies in environmental protection matters and its achievements in reducing the environmental impact of its facilities.

b) Environmental management tools

Ercros' Sustainability policy provides the frame of reference that governs its actions in sustainability matters, and aims to protect people and the environment, ensure the stewardship of the product and meet the needs of its customers.

This policy is implemented through the Sustainability manual that sets out the basic guidelines for the management system. From this it obtains the general corporate procedures that form the basis for the specific documents for each centre.

Ercros has an Energy policy that is committed to applying sustainability and social responsibility principles in the carrying out of activities at its production centres, and that considers energy management as one of its basic management principles.

In 2016, a new guide for change management was issued and eight general prevention and environmental procedures were reviewed, along with one prevention protocol.

Since 2007 Ercros has established its annual targets for safety, health and the environment in the Sustainability plan, which is approved by the committee for sustainable development ("Cedes"). Cedes is the body responsible for monitoring the management and control of Ercros' sustainability. It is comprised the general business director, the division directors, the industrial and factory directors, and the directors of integrated logistics, human resources and

sustainable development. The latter in turn acts as both coordinator and spokesperson for this body. Each work centre has its own sustainability committee that is responsible for achieving the centre's own targets.

In 2016, Ercros carried out the internal cross-cutting audit programme established by the sustainable development department, which covers all the factories and departments involved.

At the end of 2015 and during 2016, the sustainable management and integrated logistics departments carried out audits at all production centres on the facilities and procedures for loading and unloading goods.

c) Environmental certifications

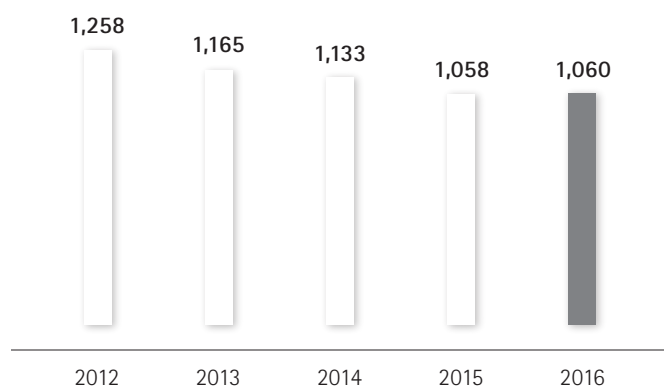
The Group uses environmental management systems in its production facilities that are certified and verified annually by an accredited company, based on:

- The UNE-EN ISO 14001:2004 standard on the environmental management system. Since April 2009, all of the Group's industrial facilities have been certified in accordance with this standard.
- The European eco-management and audit scheme ("EMAS"). Currently all of the factories are registered, except those in Almussafes, Cerdanyola and Flix. In 2016, the factory in Aranjuez was re-registered in this register following a temporary suspension pending the correction of some deficiencies.
- The UNE-EN ISO 14064-1:2012 standard on specifications for the quantification and declaration of greenhouse gas emissions. Certification under this standard has been in place since 2016 and the Group's carbon footprint as an organisation is calculated based on its application.
- The UNE-EN ISO 50001 standard on energy management systems that has been implemented in the Vila-seca I, Vila-seca II, Sabiñánigo and Tarragona factories.
- The Reco-Inno project certificate, obtained on 21 April 2016, which is promoted by the Centre for Research on Energy Resources and Consumption ("Circe") and recognises Ercros as an eco-innovative and sustainable company [see section e) of chapter 9. Customers and consumers].

d) Rates

In 2016, the rate of emissions, measured as the amount of significant substances released into the air and water and the waste generated, was 1,060 (1,058 in 2015). The direct and indirect greenhouse gas emissions (scope 1 and 2), calculated in accordance with the guidelines of the standard ISO 14064, once verified, were 0.66 million equivalent tonnes of CO₂ (0.67 million tonnes in 2015).

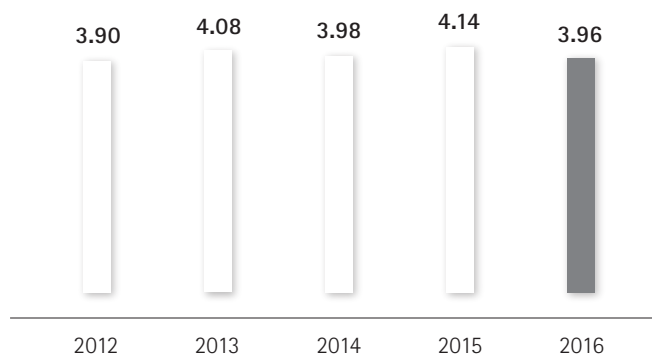
Emissions indicator¹



¹ The emissions indicator is calculated on the basis of the data for emissions into the atmosphere and water and the production of waste at each of the production sites, and factors that depend on the products involved.

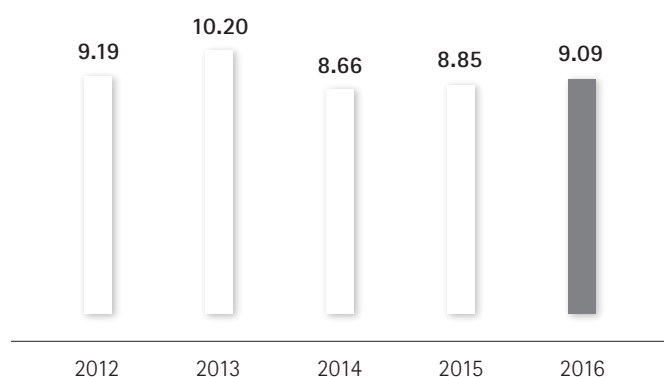
Energy consumption

GJ/T PRODUCED



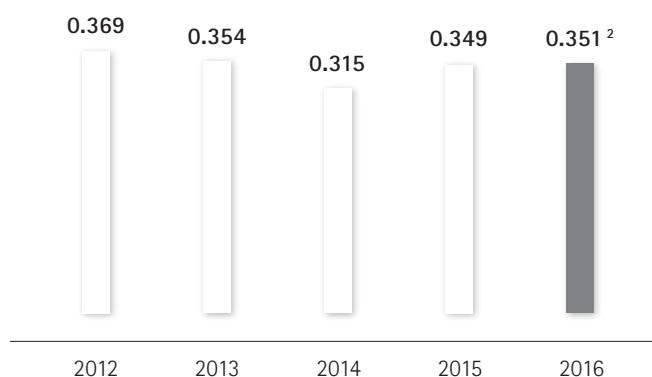
Water consumption

M³/T PRODUCED



Greenhouse gas emissions¹

T OF CO₂ EQUIVALENT/T PRODUCED

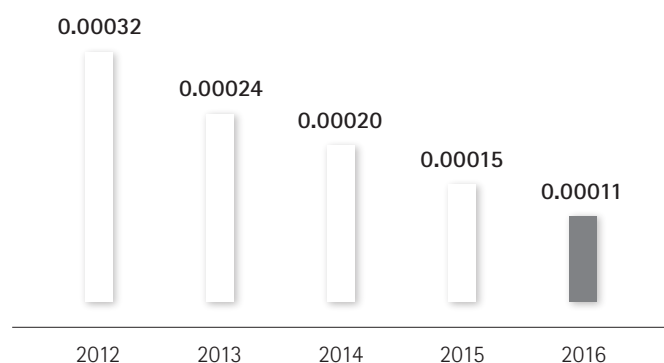


¹ Direct and indirect CO₂ emissions (scope 1 and 2).

² Pending external verification.

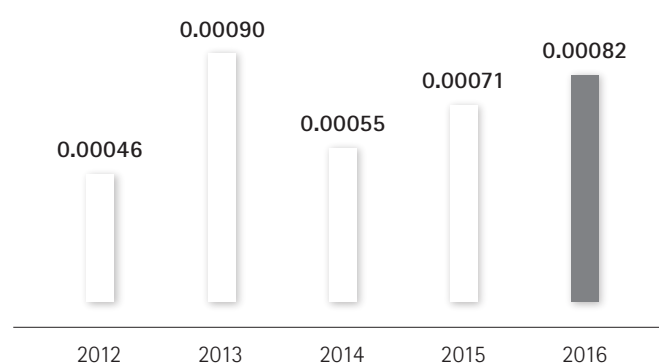
Nitrogen oxide emissions

T/T PRODUCED



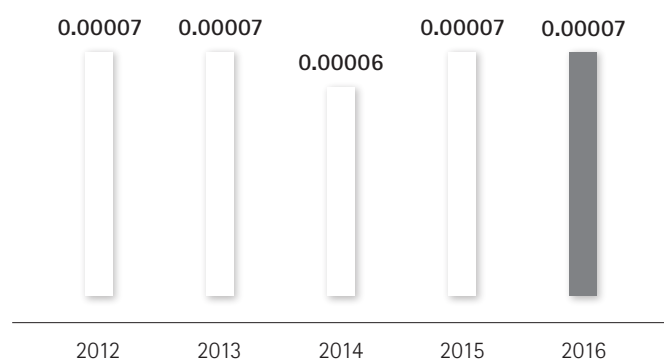
Volatile organic compounds emissions

T/T PRODUCED



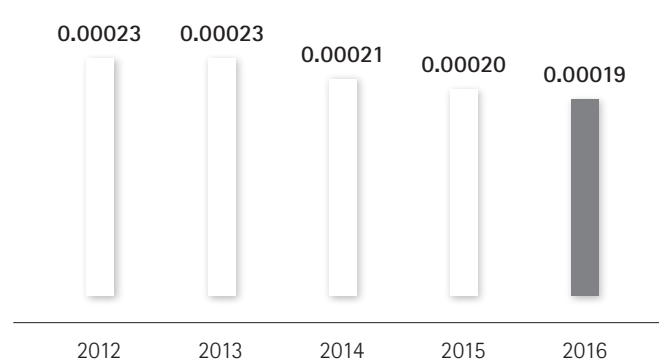
Sulphur dioxide emissions

T/T PRODUCED



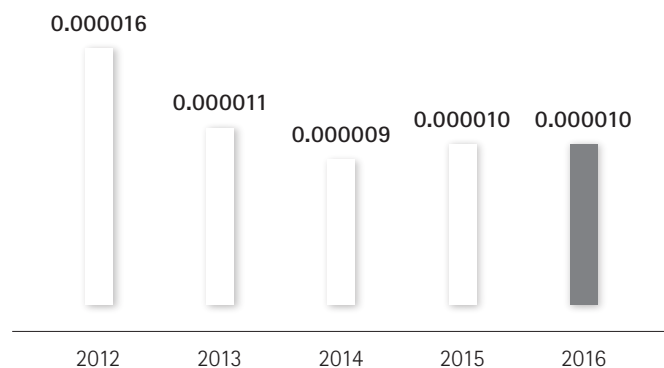
Evolution of effluents with chemical oxygen demand ("COD")

T/T PRODUCED



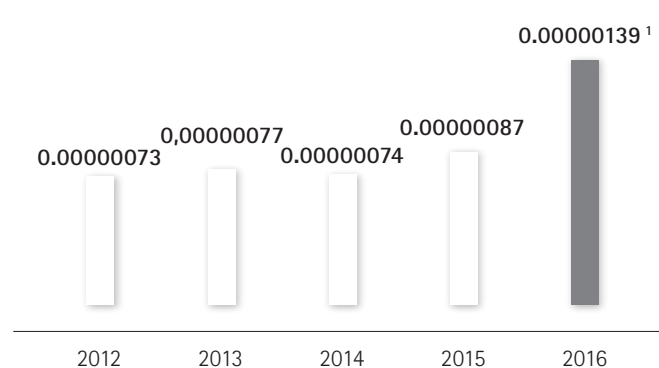
Particles in suspence emissions

T/T PRODUCED



Discharges of heavy metals

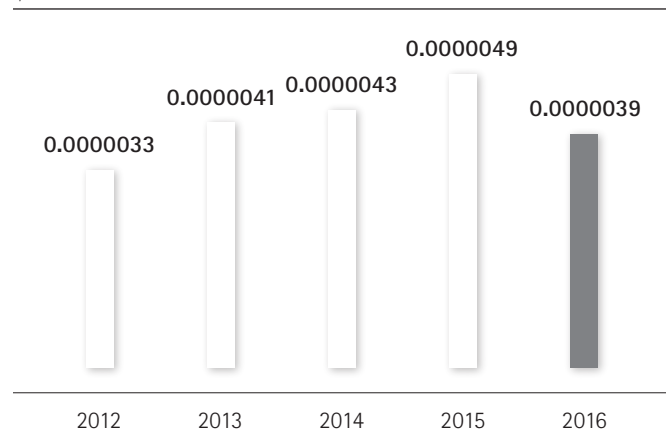
T/T PRODUCED



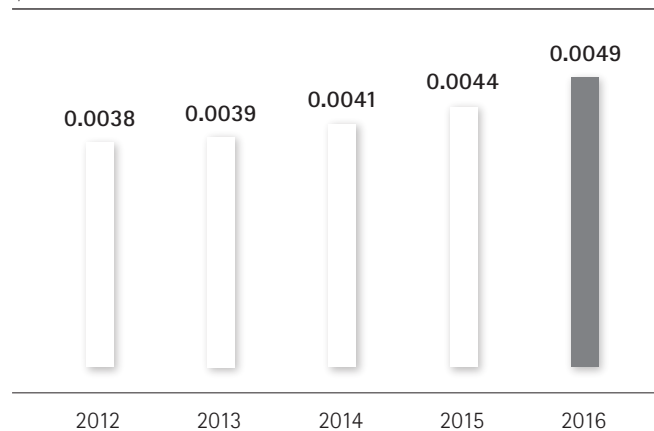
¹ The increase in the index is a consequence of the usual variability in the analytical samples.

Discharges of phosphorous

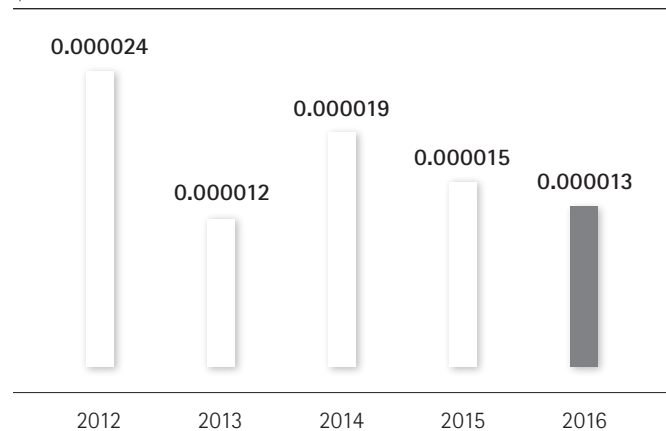
T/T PRODUCED

**Generation of hazardous waste**

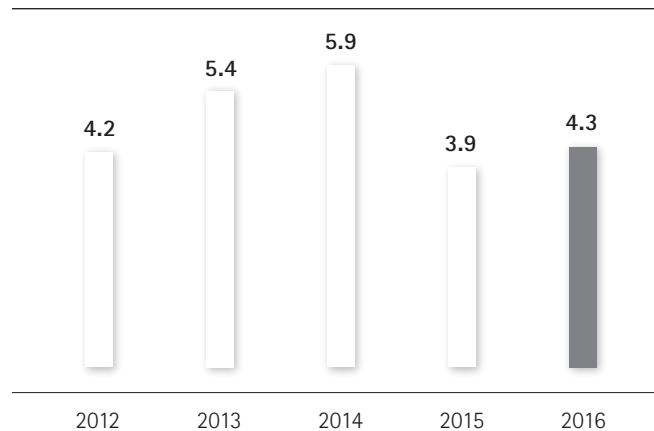
T/T PRODUCED

**Discharges of nitrogen**

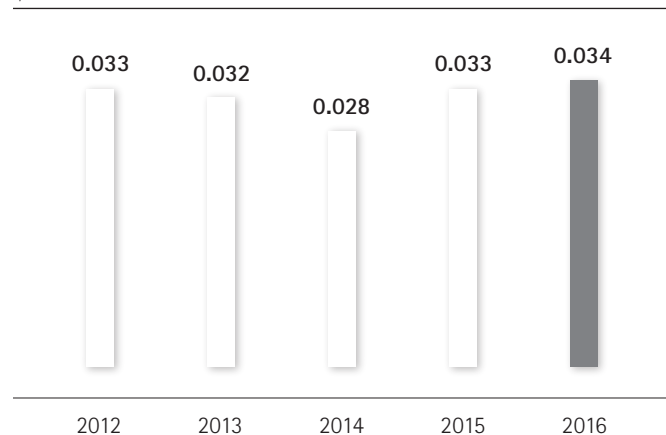
T/T PRODUCED

**Recovered waste vs. total waste generated**

% ON TOTAL WASTE GENERATED

**Total waste generated**

T/T PRODUCED



f) Impact control

In 2016, Ercros continued with its work to characterise and remedy the lands of the Vila-seca I and Vila-seca II factories, as well as in the area where Ufefys was once located in Aranjuez.

On 30 November 2016, Ercros presented the administration with the characterisation study on the last outstanding part of the lands of the Flix factory, which includes various proposals to improve the quality of the land. Based on this study, the administration will determine the improvement project that must be carried out.

On 28 December 2016, the secretaria de Territori i Sostenibilitat of the Generalitat de Catalunya, along with the mayor of Flix and other representatives from the Catalan regional government and the council, visited the factory in Flix to learn on-site about the characterisation and cleaning works being carried out by Ercros and the actions that it plans to implement in 2017 and 2018.

Ercros uses salt from the old dumps from the potash mining in the Catalanian county of Bages as a raw material for producing chlorine. In 2016, it used more than 400,000 tonnes of salt, of which 276,000 tonnes came from Cardona, where Ercros directly runs the Terrera Vella dump. Since starting to operate at this dump in 2008, it has extracted 2.04 million tonnes of salt, which represents 31% of the salt it contains. In doing so, Ercros helps regenerate the natural environment and reduce the hydrological saline impact generated by this waste, while benefiting from the product obtained. However, the quality demanded by the membrane electrolysis process requires the use of higher quality salt.

Also in Cardona, in 2016 Ercros continued with the project for the recovery and integration into the landscape of the 20 hectares of land that have been released by the removal of the Terrera Nova dump, which was authorised by the Catalanian government in 2015. It has currently begun the earth moving works to construct slopes to channel surface water and is continuing with the re-vegetation tests in the area and the monitoring of the works to remove any salt remains.

The European directive on industrial emissions will prohibit, as of 11 December 2017, the use of mercury technology in chlorine production. On 10 May 2016, Ercros presented the plan for adapting to the technological change ("Plan Act") to address this ban [see section d) of chapter 3. Introduction].

On 1 January 2016, the new European classification of formaldehyde went into force requiring production processes involving this product to be adapted.

Ercros' production centres included in the legislation on measures to control the risks inherent to severe accidents involving hazardous substances ("Seveso III") complied with the requirements established in this regulation, submitted reports and passed the corresponding audit.

In accordance with the resolution of the Subsecretaria de Estado de Medio Ambiente, of 18 November 2014, Ercros was allocated 1.98 million EUAs (allocated emission allowances) for the period from 2013 to 2020, of which 247,280 EUAs correspond to 2016 (251,915 EUAs in 2015), in accordance with the provisions of Law 1/2005, which regulates the trading of greenhouse gas emission allowances and establishes the maximum emission cap for companies depending on their production processes and allocates them their share of free allowances. In 2016 the group received income from offsets related to emission rights amounting to EUR 2.08 million (EUR 1.90 million in 2015).

g) Accidents with environmental consequences

During 2016, there were no accidents with severe environmental consequences. Only one accident took place, on 15 April 2016, when a tanker truck coming from the Vila-seca II factory had a traffic accident in Luxembourg and this affected 24 tonnes of unpackaged PVC, a non-hazardous good.

h) Litigation

The following are new significant lawsuits and updates in relation to the main lawsuits pending resolution in 2016:

- On 2 February 2016, the regional government of Catalonia responded to the appeal for judicial review presented by Ercros in relation to the dismissal of the request for nullity of the approval of the non-substantial modification of the integrated environmental permit for the Inovyn plant in Martorell, related to the increase in the capacity of the mercury cells in the electrolytic process. Based on this response, on 3 May, Ercros submitted additional pleadings. Having presented the closing arguments, Ercros is waiting for the court to set a date for a vote and the related decision.
- On 19 May 2016, the environmental division of the State prosecutor's office notified Ercros that the administrative proceedings opened in relation to the allegedly unlawful acts with an environmental impact related to several of the Group's centres had been converted into a criminal investigation. On 9 June, Ercros submitted a document to the aforementioned state prosecutor's office requesting that it be informed of the actions taken, as well as any future actions that may arise. The prosecutor's office refused Ercros' appearance indicating that, to date, there is no record that a specific crime has been committed.

- In 2016 Ercros was sentenced to pay benefit surcharges for a lack of safety measures in three cases of exposure to asbestos. In addition, in June, Ercros paid EUR 80,000 to the heirs of a former employee for a claim seeking damages due to exposure to asbestos. In another claim related to asbestos exposure, Ercros was absolved. All of the persons related to these cases worked at factories that historically belonged to a Group company and that have either ceased activity or were disposed of at least 25 years ago.
 - On 2 March and 20 October 2015, Ercros was informed of the imposition of two sanctions for serious breaches of the formaldehyde emissions limit at the Cerdanyola factory for a minimum amount of EUR 20,000, which Ercros paid. As yet, no evidentiary proceedings have begun for the appeal filed by the Company before the Superior Court of Justice of Catalonia on 11 February 2014 in relation to the decision of the regional government of Catalonia that imposes a limit on the emission of formaldehyde of 20 mg/m³ at the Cerdanyola factory based on the fact that the regional and state regulations in force do not establish one.
- In relation to this complaint, Ercros filed a second judicial review proceeding before the Superior Court of Justice of Catalonia in relation to the decision of the Secretaria de Territori i Sostenibilitat of the Generalitat de Catalunya in relation to the non-substantial modification of the integrated environmental permit for the Cerdanyola factory consisting of the unification of the sources of emissions of gases into the atmosphere. As in the previous case, Ercros is appealing the limit on formaldehyde emissions included in the decision. Ercros is currently waiting for the court to set a date for a vote and the related decision.
- On 24 March 2016, the Agència Catalana de l'Aigua agreed to review the rate applicable for the water charge for industrial and similar uses for the first three quarters of 2015 at the Flix factory. On 13 April, Ercros submitted pleadings requesting the proposed settlement be voided.

On 2 February 2015, this agency upheld the appeal filed by Ercros in relation to the ex officio review of the water charge for the Flix factory corresponding to 2013, which used figures unfavourable for Ercros to correct the charge. Several days later, the review for the 2014 charge was received that used the same criteria and this caused Ercros to submit pleadings on 29 May 2015.

On 20 May 2016, the Superior Court of Justice of Catalonia handed down a judgement dismissing the appeal for judicial review filed by Ercros against the ex officio review of the water charge for the Flix factory for 2011.

On 28 December 2016, the same court partially dismissed the appeal for judicial review filed by Ercros against the Finance board's decision of 17 October 2013 dismissing the economic-administrative appeal filed by Ercros against the decision determining the water charge for 2012.

- On 27 May 2016, Ercros filed an appeal against the decision of the Court of First Instance number 36, of Barcelona establishing that the judicial review courts have jurisdiction to hear the claim filed by Ercros for damages arising from the agreement entered into with Acuamed and the Flix Municipal Council, through which Ercros granted the use of its waste tip to this municipality. The appeal is pending a decision from the Barcelona Appellate Court that must decide if the dispute belongs in the civil courts, as Ercros holds, or in the judicial review courts, as the other parties hold.
- On 22 January 2015, Ercros filed a complaint with the administrative court against the Secretaria de Territori i Sostenibilitat of the Generalitat de Catalunya, after the Superior Court of Justice of Catalonia partially dismissed the appeal for judicial review filed by Ercros in relation to the decision of the aforementioned administrative body, requiring a guarantee for waste management at the Tortosa factory and the imposition of new total organic carbon ("TOC") limits at two emission sources as a condition for renewing the integrated environmental permit for the said factory. On 18 December 2015, Ercros prepared its closing statements while the administrative body against which the complaint was filed did so on 20 January 2016. The date for the vote regarding the proceedings has yet to be set and the decision has yet to be handed down.
- On 19 November 2015, the Secretaría de Medioambiente y Ordenación del Territorio of the Junta de Andalucía opened, at the request of the State prosecutor's office, an investigation into Ercros related to an alleged environmental crime perpetrated between 2008 and 2015 at the Palos de la Frontera factory. Ercros presented the information in due time and form and, to date, has received no response from the authorities.

In 2016, no penalties were given for breaching the legal requirements related to the environment (EUR 42,002 in 2015).

i) Environmental responsibility and protection of biodiversity

Ercros collaborates in programmes to protect habitats and biodiversity in areas adjacent to its production centres or directly linked to its industrial activity. Specifically:

- In Flix, since 2001 Ercros has collaborated with and is a member of the board of trustees of the Natural space of Sebes, located in front of the factory. It also belongs to the monitoring committee of the Sebes nature reserve management plan, an organisation that also has as members Flix Town Council, the Departament de Medi Ambient of the Generalitat de Catalunya, the Fundació Territori i Paisatge, the Delta del Ebro Natural Park and the Natura Freixe group.

This environment is deemed one of the most important river ecosystems in Catalonia. It forms part of the Ribera del Ebro Nature Reserve, declared a Wildlife nature reserve in the Catalonia areas of natural interest plan ("PEIN"), and forms part of the Natura 2000 network.

In 2014, Ercros and Flix Town Council signed a three-year collaboration agreement (2014-2016), in which Ercros renewed its adherence to the Sebes nature reserve management plan.

- In Cardona, it collaborates with the regional government of Catalonia and Cardona Town Council in the recovery of the Vall Salina in this area, through an agreement signed in 2001. The purpose of this agreement is to restore and protect this landscape, which is also included in the PEIN, through the removal of the dumps that exist due to the potash mining and the reforestation of the areas that are released [see section f) of this chapter].

a) Social responsibility with suppliers and contractors

Ercros requires the inclusion of social responsibility principles in its contractual relationships with suppliers of goods and services, and promotes a safe distribution of the products that minimises the environmental impact.

Among the main instruments used by Ercros to ensure compliance with these principles for action, it is worth outlining: the distribution code of the Responsible Care programme; inclusion of an ethical clause in contracts and/or orders involving its suppliers; the completion of accident reports; suitability and monitoring audits; inter-company committee meetings; safety data sheets ("FDS") for its own products that cover the exposure scenarios ("ES") of the uses of these products by customers; in the case of raw materials, verification that the uses for which these raw materials are intended are included in the FDS provided by the suppliers; approval of the packaging used to ship hazardous goods; the voluntary agreements for mutual assistance in the event of a traffic accident, and the training and non-voluntary contracts established for use in the event of transport and distribution accidents [see section e) of this chapter].

In 2016, Ercros continued to carry out a dissemination and compliance campaign on the Ethical code among its suppliers of logistics, goods and services. Compliance with the Ethical code has been produced in different ways: (i) because they have signed up to observing Ercros' Ethical code; (ii) because in their respective contracts there is an ethical clause or certain ethical commitments; (iii) because they have their own ethical code, and/or (iv) because each order also includes an ethical clause.

In 2016 a new procedure was approved related to the objectives of the integrated logistics department.

b) Management of the relationship with suppliers

Each factory has an inter-company committee comprised representatives from the centre and the contracted companies that coordinates the prevention actions, accident rate, management procedures, training plans, etc. In 2016, 27 inter-company committee meetings were held across all factories (22 meetings in 2015).

The integrated logistics department and managements of the three divisions establish the service conditions and requirements that must be offered by companies supplying raw materials and this depend on the supplier and the product.

Ercros participates through business associations in working groups with associations of suppliers and service companies, in order to maintain an open dialogue to achieve optimum conditions of safety, preservation and improvement of the environment, quality of customer service and training of external employees. Specifically, through the Federación Empresarial de la Industria Química Española ("Feique") it participates in the Confederación Española de Transporte de Mercancías ("CETM") and through the Associació Empresarial Química de Tarragona ("AEQT") (Chemical Business Association of Taragona) with the Asociación de Empresas de Servicio de Tarragona ("AEST").

c) Assessment and approval of suppliers

Companies that have contracts with Ercros must pass an initial audit and regular assessments that verify, among other aspects, their ability to comply with the contracted supply and service agreements, the sustainability and ethical conduct requirements followed by Ercros, and the requirements requested by customers. This assessment evaluates the supplier's certifications and the degree of satisfaction obtained, and links incidents and breaches with the conditions agreed within the assessed period. It is also the basis for correct supply management and for defining the purchasing strategy and improvement actions.

Ercros also conducts annual monitoring audits on external transport and storage companies and the suppliers of raw materials, packaging and containers on the basis of the results of the assessments made and the monitoring of any complaints and incidents detected. During 2016, Ercros held 135 meetings with suppliers of raw materials, packaging and containers (the same number as in 2015).

The production centres regularly carry out safety audits and emergency drills involving staff from the companies who have contracts to regularly provide their services at these centres.

In 2016, staff from companies supplying goods and services received 1,508 training hours (1,355 hours in 2015). The transportation companies complete the training of their employees with the FDS of the products they transport that are provided by Ercros.

In the province of Tarragona, the contracted service companies are certified by the Associació Empresarial Química de Tarragona ("AEQT") and must pass an initial verification audit on their safety management system, which is renewed every two years. Monitoring of the performance of these companies in terms of safety is also carried out on a quarterly basis.

d) Sustainability of consumption

Ercros applies reduction, reuse and recycling principles to the raw materials it consumes, and maintains collaboration channels with its suppliers to improve the sustainable features of the products supplied.

In 2016, it attained the following achievements in reducing consumption and the following environmental improvements deriving from freight transport:

- Replacement, at certain locations, of road transport with inter-modal transport. Rail transport has lower CO₂ and particle emissions than road transport and this has led to a saving of 204 tonnes of CO₂.
- The adjustment of the features of the packaging to the features of each product and the planning of monitoring of the distribution of purchases among the different suppliers has allowed for a saving of 4% of the purchase price of these materials.
- The use of 26% of recycled pallets.

e) Mutual assistance agreements

Ercros has the authorised economic operator certificate ("AEO"), awarded by the customs and excise department at the Agencia Estatal de la Administración Tributaria. This certificate is granted to the economic operators in the European Union that may be considered as partners of trust in customs matters.

The company collaborates in preventing emergencies and provides help, advice and technical assistance in the event of transport accidents involving hazardous goods, through its participation in the European International Chemical Environment network ("ICE") and in the Spanish centre for emergency responses during the ground transportation of hazardous goods ("Ceret") and the agreement on the maritime transportation of hazardous goods ("Ceremmp"). It also participates in the mutual assistance agreement for transporting unpackaged chlorine. In 2016, and in accordance with that stipulated in the distribution code of the Responsible Care programme, six transport accident intervention drills were carried out (five in 2015).

Ercros has contracted the Chemical Transportation Emergency Center ("Chemtrec") system in its highest category ("Global Authorisation") for more than 60 countries, which allows it to address any situation that occurs in the distribution of its own products every day of the year. With the same objective it has also contracted the Chemical Emergency Response Service Provision ("NRCC") exclusively for China.

Ercros forms part of the working group for the transportation of chlorine of the European Chemical Industry Council ("Cefic"), whose objective is to reduce the risk in transportation and develop recommendations.

a) Action principles

Ercros' principles for action with regard to customers and consumers are meeting their requirements and needs through delivering products in keeping with the specifications, delivery deadlines and other contractually agreed conditions; the continuous improvement of the quality of the products supplied; and compliance with the legal requirements and voluntary agreements it has signed.

To do this, Ercros has set the following as its main objectives:

- Ensure that there are no complaints from customers.
- Achieve the highest possible quality in the manufacturing processes, end products and the entire management chain, from raw materials to delivery to the customer.
- Cooperate with customers in accordance with best product stewardship practices.

In order to achieve these objectives, Ercros uses, among others, the quality management systems; customer attention centre ("CAC"); product stewardship and satisfaction surveys.

All of Ercros' factories have implemented a quality management system in accordance with the standard ISO 9001:2008. In 2016, the factories satisfactorily passed the verification and recertification audits for this standard.

Five products from the pharmaceuticals division are approved by the U.S. Food and Drug Administration ("FDA"), and three other products have their approval filed with the FDA and it is awaiting the customer records. Altogether, these products represent 45% of the division's production volume.

The CAC is the body responsible for the relationships with customers with regard to complaints, technical assistance requests, queries, suggestions, etc. In 2016, 20 CAC procedures were updated. The sales department in each business also regularly conducts surveys to identify the degree of customer satisfaction. 349 surveys were sent to customers in 2016.

b) Product stewardship and traceability

In the area of product stewardship, Ercros makes its knowledge and resources available to customers in order to carry out responsible and ethical management during the entire life cycle of the products it sells, from the design of the industrial facilities and purchase of raw materials to the end of their useful life, through either their consumption or transformation into waste. Ercros also maintains close contact with its customers and, if they need it, provides advice and information to ensure that the products they consume are used and handled correctly.

The corporate website contains the identified uses of the products marketed by Ercros, identified by their CAS (chemical abstracts service) and EINECS (European inventory of chemical substances) numbers, and an additional information request form can also be completed.

In 2012 the company adapted the FDS of all the products manufactured and of the products and mixes sold by Ercros in the languages of the European Union requested by the sales departments and the CAC in accordance with the Reach and CLP regulations.

In order to ensure a responsible use of the products it markets, Ercros has voluntarily signed the following sector or product agreements:

- The Responsible Care programme, through Federación Empresarial de la Industria Química Española ("Feique"). During 2016, an internal dissemination campaign for the new Responsible Care logo was carried out [see section g) of chapter 4. Ethics and values].
- The voluntary code of conduct to establish a monitoring system on chemical precursors that may be used to illegally manufacture explosive substances (sodium chlorate), through Cefic.

c) Complaints rate

In 2016, Ercros' complaints rate, which measures the ratio of the volume of products affected by a customer non-conformity to the volume of its own products and third-party products it sells that were shipped, was 0.121 (0.115 in 2015). The percentage of satisfactory supplies is 99.88 %.

Evolution of the complaint rate¹



¹ Complaints rate = Number of tonnes of products affected by a customer non-conformity ÷ total number of tonnes sold.

d) Description of success stories

In 2016, the following achievements were seen in relation to the marketing and quality of the products supplied:

- Withdrawal of the warning letters that the Food and Drug Administration ("FDA") maintained over the products of the pharmaceuticals division's Aranjuez factory.
- The passing by the Flix factory of the monitoring audit for the Feed Chain Alliance ("FCA") certification for the manufacturing of dicalcium phosphate.
- The obtaining by the Sabiñánigo factory of the NSF certification for sodium chlorite, which guarantees suppliers, customers, regulatory bodies and consumers that an independent organisation has reviewed this product's manufacturing process and determined that it complies with the specific standards on safety, quality, sustainability and performance.
- The progressive implementation of e-billing for domestic and European customers.
- Distribution to customers of the updates of the FDS.

e) Innovation and technology

Ercros' R&D activities are focused on developing new products with greater added value, the search for excellence and the sustainability of the production processes, all in order to minimise the impact on the environment and obtain optimal energy efficiency with the best techniques available.

Ercros has its own R&D centres that provide a service to the pharmaceuticals division (in Aranjuez), the chlorine derivatives division (in Sabiñánigo and Monzón) and the intermediate chemicals division (in Tortosa) and establishes collaboration agreements with universities and technology centres [see section b) (iii) of chapter 10. Contribution and cooperation with society].

In 2016, investments and expenses related to innovation and technology amounted to EUR 5.10 million (EUR 4.22 million in 2015).

On 21 April 2016, Ercros obtained certification from the Reco-Inno project, promoted by Circe, which recognises Ercros as an eco-innovative and sustainable company. The objective of this project, financed by the Ministerio de Economía, Industria y Competitividad, is to disclose and highlight the value of the innovative products and processes of companies that promote environmental improvement and efficiency in the use of resources. In obtaining this certificate, Ercros can participate in sector meetings, disclose its most sustainable products and processes, and use the logo that certifies the company's commitment to eco-innovation and sustainability.

During 2016, to finance its R&D activity Ercros availed itself of public assistance programmes that offer reductions on its Social Security contributions and tax deductions. It also took part in programmes for re-industrialisation activities granted by the Ministerio de Economía, Industria y Competitividad.

Among the most relevant projects from 2016 related to the development of new products or improvements in those already in existence, it is worth mentioning:

(i) Chlorine derivatives division

- The new range of PVC resins with a very high molecular weight that is being evaluated by potential customers and the development of operating criteria for the polymerisation reactors to optimise the type of pores and morphology of the PVC particle in order to satisfy the demands of new flexible uses with a high surface quality.
- The continuation of the programme for obtaining chlorine and potash through "zero-gap" membrane technology at the pilot plant.

- A new activation for sodium chlorate anodes that reduces consumption of precious metals during the manufacturing process for the aforementioned product.

(ii) Intermediate chemicals division

- The new range of resins for uses that require very low formaldehyde emissions and increased mechanical properties, for the wood, furniture and insulation industry.
- In the moulding powders family, the new formulas to improve certain features, particularly for use in the electricity and healthcare industries. In this connection, it is worth mentioning the development of a new product that will be used in high-end healthcare products.
- The increase in the production capacity of polyols and moulding powders.

(iii) Pharmaceuticals division

- The entry into service of the new sterile products plant.
- The new process for extracting fusidic acid, which has enabled the Group to optimise the processing time and reduce the consumption of extracting solvent.
- The work to produce new fermentation products.
- The laboratory growth tests for a new antibiotic that may be added to the industrial production in the future.
- The tests to improve productivity and develop new fermentation, extraction and purification methods.

a) Commitment to society

Ercros' relationship with society in general is governed by the principles of information, transparency and participation in the social, cultural and economic situation.

Ercros understands that its success and continuance as a company depends on its commitment to the prosperity of society and, more particularly, to the local community where it operates and the different internal and external interest groups. This commitment leads Ercros to act in a way that balances the logic of the market, which pursues maximum financial profitability, and social commitments.

Ercros' work centres regularly update their social maps with the list of their respective stakeholders. In 2016, 436 stakeholders were registered across the Ercros group.

Ercros' main contribution to society is the employment it generates in the areas where its activity is carried out. In 2016, Ercros' activity generated 3,587 indirect and induced¹ jobs (3,597 jobs in 2015), which represent 5.5% of the active population² in the municipalities where the factories are located.

b) Main actions

Among the activities carried out by Ercros throughout 2016 in favour of society, it is worth mentioning:

(i) In the field of health and safety

[see section e) of chapter 5. Human resources].

- Information events and the annual accident prevention campaign.
- Annual campaign on health surveillance and control of exposure risks stipulated by the regulations.
- Annual vaccination campaign.
- Epidemiological studies on the most frequent pathologies occurring at the production centres.
- Regular campaigns on food and exercise; smoking and alcohol; cardiovascular risks; managing stress; caring for your back and preventing diabetes, etc.

¹ In order to calculate the indirect and generated jobs, a multiplier of three was used. This is the figure regularly used for estimations in the chemical sector.

² The active population of each area has been calculated from the activity rate of the respective province.

(ii) In the field of training

- The agreement for the accreditation of professional skills in basic operations at chemical plants, equivalent to the medium grade module of the chemical area, the certificate for which was obtained by seven employees from the Sabiñánigo factory in 2016. To achieve this, these employees passed the assessment and accreditation procedure ("PEAC") established by the Government of Aragón, in collaboration with Federación de Empresas Químicas y Plásticos de Aragón ("Feqpa") and Ercros.

As a result of the commitment to the aforementioned agreement, on 25 November 2016 the director and manager of industrial relations at the Sabiñánigo factory participated in the conference for the recognition of professional skills organised by the Confederación de Empresarios de Aragón ("CEOE Aragón"), in collaboration with the Agencia de Cualificaciones profesionales de Aragón, to disseminate and publicise PEAC to companies.

- The agreement signed between the Associació Empresarial Química de Tarragona ("AEQT") and the Departament d'Educació of the Generalitat de Catalunya, of 16 April 2015, through which 23 employees from the Tarragona Industrial Complex enrolled for the accreditation of professional skills course, in order to obtain the official advanced vocational qualification in industrial chemistry in 2018, awarded by the Comte de Rius secondary schools.
- On 18 May 2016, the head of the quality and environment department at the Tarragona Industrial Complex joined the teaching team of the Masters in professional development tools in the industry given by the Universitat Rovira i Virgili ("URV"), in order to provide technical training on managing sustainability and the environment in companies to students who have graduated in Chemistry, Chemical Engineering, Biochemistry and Biotechnology.
- The collaboration agreements with the following secondary schools and county councils for pupils to do work experience: Biello de Aragón, in Sabiñánigo; Comte de Rius, in Tarragona; Corona de Aragón, in Zaragoza; in Flix; Ebre, in Tortosa; Lluïsa Cura and Vidal i Barraquer, in Barcelona; Islas Filipinas, in Madrid; Mateo Alemán, in Alcalá de Henares; Pirámide, in Huesca; San Ramón, in Cardona; Vicente Aleixandre, in Aranjuez; Servei d'Ocupació de Catalunya ("SOC") and Instituto Aragonés de Empleo ("Inaem"). During 2016, 32 pupils did their work experience at Ercros (35 students in 2016).
- The agreements with the following universities for internships for graduate and postgraduate students: Universidad Autónoma de Madrid ("UAM"); Universidad Internacional de La Rioja; Universitat Politècnica de Catalunya ("UPC"); Universitat Rovira i Virgili de Tarragona ("URV"); Universidad de Valladolid and Universidad de Zaragoza. During 2016, 20 university students had internships at Ercros (17 students in 2015).

(iii) In the field of research

The agreements signed with technological centres: Leartiker, in Vizcaya; Leitat, in Terrassa, which has also involved the Centre Català del Plàstic of Terrassa ("UPC"); the Instituto Polymat at the Universidad del País Vasco ("UPV") and the Institut Tecnològic de Materials (ITM) from the Universidad Politécnica de Valencia ("UPV") for the development of ErcrosFlex® and the Universitat Politècnica de Catalunya ("UPC") for the development of bio-plastics.

- The Nuclis d'Innovació Tecnològica collaboration programme from the regional government of Catalonia for 3D Premium printing with the UPC, Leartiker and the Centre Català del Plàstic.
- The industrial doctorate course for 2015-2017 on polymers with the UPC.
- The three-year collaboration programme with the Centro de Desarrollo Tecnológico Industrial ("CDTI"), in which the Group participates with two other Spanish companies on the development of products from the ErcrosBio® range.
- The contracts for carrying out research projects with the Institut Químic de Sarrià ("IQS") and the UAM to optimise the polyol manufacturing process.
- Collaboration with the Institut Català d'Investigació Química ("ICIQ") to develop a new catalyst for manufacturing formaldehyde, which has received a subsidy from the Nuclis d'Innovació Tecnològica programme.
- Collaboration with the Centro de Información y Red de Creación de Empresas ("CIRCE"), for the study on the use of hydrogen and CO₂ to obtain methane.
- Participation in the board of trustees of the Fundación para el Desarrollo de Nuevas Tecnologías del Hidrógeno in Aragón.
- Sponsorship of the UAM-Ercros chair, whose main objective is to promote research, teaching and study activities in the field of pharmaceutical chemistry.
- Collaboration with the Institut Geològic of Catalunya on the installation of trihedral satellite reflectors in Cardona to measure natural geological movements in the Vall Salina of Cardona.
- Contracts with the Universitat de Barcelona and UPC for technical advice on the restoration and re-vegetation of the Terrera Vella dump in Cardona.
- Collaboration with the Junior Achievement Foundation, the largest non-profit international educational organisation consisting of companies and professionals and dedicated to promoting an entrepreneurial spirit among young people.

(iv) In the field of environmental protection

[see section i) of chapter 7. Environment]

- Collaboration with the Natural Space of Sebes in Flix.
- Collaboration agreement with the regional government of Catalonia and Cardona Town Council to recover the Vall Salina in Cardona, and removal of the dumps resulting from the potash mining in the county of Bages.
- Transfer to Acuamed of land in order to build a plant to treat the mud coming from the work on the reservoir in Flix, and the transfer of part of the El Racó de la Pubilla landfill to deposit this mud once it has been treated.

(v) In the field of social and economic contribution

- The agreement signed with MOA BPI Group, a consultancy specialising in re-industrialisation processes, in order to attract new projects capable of generating employment on the unoccupied land at the Flix factory. On 6 April 2016, both parties agreed to extend this agreement for one more year.
- Sponsorship of the Flix municipal nursery, with the agreement being renewed for the period 2014-2016.
- Purchases made from special employment centres and/or reintegration companies, for a value of EUR 349,591.17 (EUR 325,271.39 in 2015).
- Sponsorships amounting to EUR 38,100 (EUR 49,290 in 2015).
- Contributions to groups of employees amounting to EUR 161,618.63 (EUR 119,820 in 2015).
- On 27 October 2016, Ercros joined a programme run by the Cambra de Comerç, Indústria i Navegació de Tarragona, whose objective is to support initiatives that seek to stimulate the economy, coordinate the districts of Tarragona, and enhance the internationalisation of companies in Tarragona.
- In February 2016, the head of sustainability at the Cardona factory helped secondary students from the Vedruna school in Cardona to prepare an audiovisual project that explains the work performed by Ercros in the environmental clean-up of the area.

(vi) In the field of social volunteering

- The annual food donation campaign, which in 2016 collected 2,229 kilos of food and children's hygiene products (3,369 kilos in 2014).
- The annual Tapones para una nueva vida® campaign, in the framework of the collaboration agreement with the Seur Foundation, which collected 530,000 plastic tops

(650,650 in 2015) and contributed to improving the quality of life of children who have now been able to receive medical or orthopaedic treatments not covered by the public health system.

- Campaigns to collect aluminium cans, mobile phones and batteries and volunteering in the classification of food for the Christmas Banco de Alimentos campaign that took place at the centres in Aranjuez, Barcelona, the Industrial Complex in Tarragona and Monzón.

(vii) In the field of business organisations

As well as actively participating in the committees and working groups of the various business organisations to which Ercros belongs, its executives occupy positions of responsibility in these:

- The chairman is a member of the Federación Empresarial de la Industria Química Española ("Feique") permanent committee and the governing board of the Sociedad de Estudios Económicos de Fomento del Trabajo Nacional.
- The general director of business chairs the energy committee and is a member of the Feique assembly and governing board; and is a member of the governing board of the Asociación de Empresas con Gran Consumo de Energía ("AEGE") and the plenary of the Cambra de Comerç, Indústria i Navegació de Tarragona.
- The director of the general secretariat is a member of the communication committees of Feique, Cicloplast and Plastics Europe, and of the organising committee of Expoquímica.
- The director of the chlorine derivatives committee is a member of the Feique assembly; member of the EuroChlor and ECVI management committees, and a representative of Ercros in the Asociación Nacional Electroquímica ("ANE") and in the infrastructure advisory committee of the Fomento del Trabajo Nacional.
- The industrial director of the chlorine derivatives division is a member of the EuroChlor technical committee and a representative of Ercros in Cefic's peroxygenates group.
- The director of the intermediate chemistry division is a member of the Feique assembly and a member of the board of directors of Fedequim and of Cefic's formacare group, the European Phenolic Resins Association ("EPRA") and the International Association of Producers and Consumers of Methanol ("Impca").
- The industrial director of the intermediate chemistry division is a member of the technical groups of the Cefic formacare group and of EPRA.
- The director of integrated logistics is a member of the Feique infrastructures committee and a member of the EuroChlor chlorine transportation working group.
- The director for sustainable development is a member of the environmental committees of Feique, Fedequim and Fomento del Trabajo Nacional; the EuroChlor regulatory affairs committee and working group for protecting the environment; the Responsible Care coordinators' committee of and the management committee for the Responsible Care programme in Spain.
- The head of prevention chairs the safety committee and is a member of the working group for the Feique national occupational safety and hygiene committee; the Aenor technical group for the development of ISO standard 45001 and belongs to the EuroChlor health working group.
- The director of innovation and technology participates in Feique's R&D committee and in the innovation committee of Fomento del Trabajo Nacional.
- The director of the Cardona centre is a member of the Asociación de Empresarios de Cardona («AEC») and the monitoring committee of the Vall Salina in Cardona.
- The director of the Industrial Complex in Tarragona is chairman of the AEQT communication committee and a member of the governing board of this organisation and of ChemMed.
- The director of the Tortosa centre is a member of the AEQT general assembly and sector committees, and the general assembly of the Asociación de Empresarios de Polígono Industrial Baix Ebre de Tortosa ("Apibe").
- The director of the Sabiñánigo centre is a member of the executive committee of the Federación de Empresas Químicas y Plásticos de Aragón ("Feqpa") and a representative of this Federation in the Confederación de Empresarios de Aragón («CEOE Aragón»), as well as a member of the board of trustees of the Foundation for the Development of New Hydrogen Technologies in Aragón.

c) Voluntary agreements

Ercros has assumed voluntary commitments, some promoted by the chemical sector, with more ambitious targets than those established in the current regulations [see section g) of chapter 4. Ethics and values].

a) Information, dialogue and transparency

Ercros operates a communication policy based on information, dialogue and collaboration with society in general and with stakeholders, in accordance with the desire to act as a socially responsible company.

To this end, it has implemented plans and procedures to promote communication with its employees and stakeholders, and to be prepared in the event of a crisis.

b) Relationship with society and stakeholders

Ercros uses the following communication channels in its relationship with society and its stakeholders:

(i) With society in general

- The Corporate social responsibility report ("CSR report"), which since 2016 has been published annually [see section g) of chapter 4. Ethics and values].
- The Economic and financial report, published annually, which contains the most relevant economic and financial figures for the year.
- The Corporate governance report, published annually, which provides information on the governance of the company and the degree of fulfilment of the Good governance code recommendations [see section g) of chapter 4. Ethics and values].
- The Directors' remuneration report, published annually, which reports on the application of the Directors' remuneration policy in the year.
- The corporate website (www.ercros.es), which contains general information about Ercros, its production centres and the products it manufactures, economic and financial information, stock market information, corporate governance information, commercial information, etc. In 2016, it was updated to introduce nine mini-sites for the ErcrosBio® and ErcrosFlex® brands, and for chloroisocyanurates. It has also made improvements to the shareholders and investments section, in response to demands from shareholders.
- The digital newsletter can be requested through Ercros' website and contains the most relevant news published by Ercros. Nine newsletters were published in 2016.

- The corporate video, which is hosted on the corporate website and provides general information about Ercros.
- The tools 2.0, Vimeo, Flickr, LinkedIn and RSS.

(ii) With the stakeholders:

In general:

- Open days and arranged visits: aimed at the workforce and their families, neighbourhood associations, business owners, social associations, etc. and the educational community. In 2016, 21 visits were held at the Aranjuez, Cerdanyola, Tarragona Complex, Monzón and Sabiñánigo factories, which were attended by a total of 645 people (29 visits in 2015 with 788 participants). On 22 October 2016, the Monzón factory organised an open day that was attended by 50 employees and their family members.

With the headcount:

- Internal notifications are the means of providing specific information. 38 notifications were sent in 2016 (31 in 2015).
- The Dialogue improvement plan ("PMD"): in 2016, 1,099 cascading meetings were held that were attended by 4,548 people (1,189 meetings in 2015 attended by 4,760 people).
- The internal newsletter associated with the PMD: in 2016, six newsletters were published (the same number as in 2015).
- The virtual noticeboard: contains interesting information and publications from Ercros. It is freely accessible by employees, acts as a corporate intranet and is hosted on Ercros' server.
- The Ethical channel [see section d) of chapter 4. Ethics and values].
- The suggestions competition: channels and rewards improvement suggestions proposed by staff. In 2016, 21 improvement suggestions were submitted (23 suggestions in 2015).

With the media:

- Press releases: these are the main tool for contact with the media. In 2016, 51 press releases were issued (35 in 2015).

With the neighbours:

- External reports: contain information of general or local interest about Ercros and are distributed to external stakeholders depending on their content. In 2016, an average of 10 reports per centre were issued (seven reports in 2015) and the social maps of the Cerdanyola and Monzón centres were reviewed.
- The public helpline procedure ("LAP"): receives the suggestions, queries or complaints from local stakeholders. In 2016, no suggestions or complaints were submitted through the LAP (the same as in 2015).

With the administration:

- Visits to factories: on 9 June 2016, the mayor of Cerdanyola, accompanied by the councillor for economic promotion and specialists from the council, visited the factory in this town, and on 28 December 2016, the secretaria de Territori i Sostenibilitat of the Generalitat de Catalunya, along with the mayor of Flix and other representatives from the Catalan Government and the council, visited the factory in Flix to learn on-site about the characterisation and cleaning works being carried out by Ercros and the actions that it plans to implement in 2017 and 2018.

With the securities market:

- Relevant facts: are the communication channel with the securities market. In 2016, the Company issued 37 notifications (27 in 2015).
- The shareholders' office [see section c) of chapter 6. Shareholders and investors].

With the customers:

- Participation in sector trade fairs:
 - The CPhI Worldwide is the most important pharmaceutical industry trade fair in the world. In 2016 it was held in Barcelona and Ercros participated with its own stand.
 - Maderalia is the international trade fair of materials and components for furniture, carpentry and decoration. It took place from 2 to 5 February 2016 in Valencia and Ercros participated as a visitor.

- Smagua is an international water and irrigation trade fair that was held from 8 to 11 March 2016 in Zaragoza, where Ercros participated as a visitor.
- Light and Building is the biennial trade fair that presents the latest trends in building lighting and technology. It was held from 13 to 18 March in Frankfurt (Germany) and Ercros participated as a visitor.
- The Fensterbau is the windows, doors and façades trade fair. It was held in Nuremberg (Germany) from 16 to 19 March 2016 and Ercros participated as a visitor.
- The K 2016 is the international plastic and rubber fair. It was held in Düsseldorf (Germany) from 19 to 26 October 2016 and Ercros participated as a visitor.
- Veteco is the international fair for windows and glazed enclosures. It was held in Madrid from 25 to 28 October 2016 and Ercros participated as a visitor.
- Participation in sector conferences:
 - PCA is the annual conference of the European Petrochemical Association. It was held in Budapest (Hungary) from 1 to 4 October 2016 and during this event the intermediate chemistry division kept in contact with customers and producers of methanol
 - AFPM is the annual conference of American Fuel & Petrochemical Manufacturers. It was held in Dallas (USA) from 20 to 22 March 2016 and attended by the intermediate chemistry division.
 - APLA is the annual conference of the Latin American Chemical and Petrochemical Association. It was held in Buenos Aires (Argentina) from 19 to 22 November 2016 and attended by the intermediate chemistry division.

With the suppliers of raw materials:

- The IMPCA is the international fair of the International Methanol Producers and Consumers Association. It was held from 9 to 10 June 2016 in Porto (Portugal) and the intermediate chemistry division attended as a visitor.

c) Audits

On 1 June 2016, Bureau Veritas verified Ercros' CSR report for 2015, which for the first time was published annually. This report is prepared in accordance with the indicators contained in the Guide to applying corporate social responsibility in the chemical and life sciences sector [see section g) of chapter 4. Ethics and values]. An "excellent" rating has been obtained in all audits. In the 2015 edition, the audit report identified four improvement actions that have been incorporated into Ercros' practices.

Annually, Aenor audits the correct performance of the sustainability management system (ISO 9001, ISO 14001 and OHSAS 18001) in all production centres, as well as in the marketing departments and the integrated logistics and sustainable development divisions.

In 2016, the questionnaire issued by Ercros for the review of the CDP questionnaire [see section g) of chapter 4. Ethics and values] obtained a C rating in the section on the transparency of information and conduct with regard to climate change, among other matters.

The EcoVadis CSR rating [see section g) of chapter 4. Ethics and values] improved its advanced rating by 11 points to obtain 75 points out of 100 (64 points in 2015).

Ercros also regularly carries out internal audits to identify the degree of compliance with the Dialogue improvement plan ("PMD") and the degree of satisfaction regarding the operation of Ercros' communication and information tools.

All factories carry out official emergency drills that are audited by an external company. In 2016, 17 drills were carried out (21 drills in 2015) [see section g) of chapter 5. Human resources].

1. Ethics and values

A. Basic level:

1st Existence of some fundamental values or principles of social responsibility of Ercros.

Yes.

2nd Existence of a system of monitoring and control of legal requirements that affect the activity.

Yes, in terms of sustainability, monitoring and control of compliance with legal requirements is an obligation of the production centres derived from the ISO 14001 and OHSAS 18001 standards and there is a specific procedure.

In other matters (labour, commercial, fiscal, financial, etc.) the company is subscribed to different publications, databases and alerts services.

3rd Existence of a record of complaints for unfair competition.

Yes.

4th Effective membership of a business association.

Several of them, both sectoral and territorial.

5th Existence of a code of ethics and formal conduct.

Yes.

B. Advanced level

6th Existence of a program or ethical management policy for the implementation of social responsibility.

Yes. The CSR policy was approved by the board of directors in 2011 and revised on February 18, 2016.

7th Effective adherence to Responsible Care.

Yes, since 1994.

8th Effective adherence to aspirational principles of social responsibility.

To the Global Compact agreement, since 2000.

C. Level of excellence

9th Public dissemination of the Ethical code.

See section d) of chapter 4. Ethics and values.

The Ethical code can be consulted through the corporate website (www.ercros.es).

10th Existence of specific training on ethical values.

In 2016, Ercros continued to provide specific training on ethical values to the people who joined the workforce.

11th Existence of internal mechanisms of dialogue: committee and responsible for CSR.

The ethical and social responsible committee ("CERS") is responsible for advising management on initiatives related to social responsibility, identifying risks related to this matter and preparing the CSR report.

The audit committee, and by delegation, the internal auditor, is responsible for overseeing and complying with the Ethical code.

12th Existence of an anti-corruption policy.

Encompassed in the Ethical code.

13th Number of convictions on discrimination, corruption, bribery and competition laws.

None.

14th Effective adherence to initiatives on social responsibility.

Indirectly, in Forética through Feique.

15th Measurement of indicators, their evolution and improvement objectives.

Yes.

16th Publication and presentation of a Social responsibility report.

Yes.

In 2016, the publication of the CSR report for the year 2015 has gone from being biennial to annual.

2. Human resources

A. Basic level:

1st Convictions/penalties related to legal requirements on the integration of handicapped persons, prevention of occupational risks, equality law, etc.

See section f) of chapter 5. Human resources.

2nd Existence of an equality plan.

Yes.

3rd Existence of a human rights plan.

Encompassed in the Equality plan and in the Global Compact agreement.

4th Condemnatory sentences related to human rights (freedom of association, child exploitation, forced labour, etc.).

No.

5th Rate of accident frequency among own personnel.

In 2016, the index was 2.97 (1.67 in 2015).

6th Fatal accidents in employees.

No.

B. Advanced level:

7th Index of frequency of accidents in contractors.

In 2016, the index was 5.3 (2.1 in 2015).

8th Existence of a prevention policy.

Yes.

9th Deadly accidents in contractors.

No.

10th Index of occupational diseases in employees.

0.

11th Application of the collective agreement.

Yes.

12th Index of work absenteeism (calculated according to parameters of the collective agreement of the chemical sector).

In 2016, the index was 4.5% (4.2% in 2015).

13th Implementation of a certified safety and health management system.

All production centres have a system of occupational health and safety management certified by Aenor according to the OHSAS 18001 standard.

14th Positions described on the total.

100% of the total positions are described.

15th Satisfaction surveys every three years.

Yes.

16th Indefinite contracts on the total.

In 2016, indefinite contracts accounted for 96.8% of total contracts (94.6%, in 2015).

17th Employees with performance appraisals.

0.

18th Existence of training plans.

Yes.

19th Existence of a welcome manual for new employees.

Yes.

20th Hours of training per employee

In 2016, each staff member who attended a course received an average of 27.75 hours of training (21.04 hours in 2015).

21st Spending and investment in employee training.

In 2016, the cost of training was 176,670.45 euros (126,730.07 euros in 2015).

2. Human resources

22nd Employees who have received training on the total.

In 2016, 84% of the staff received training (86% in 2015).

23rd Women over total employees.

In 2016, the percentage of women over the total workforce was 15% (14% in 2015).

24th Women directive on the total of managers.

By 2016, there were six women out of 30 directive people (20%) (In 2015, there were five women out of 31 directive people, 16.1%).

25th Participation of employee representatives in the training area.

Through the training committee.

26th Participation of employee representatives in the area of safety and health.

Through the corporate commission of safety, occupational health and environment and the corresponding safety and health committees of each workplace.

27th Participation of employee representatives in the area of environment.

Also through the committees of security, occupational health and the corporate environment and of the corresponding committees of security and health of each work centre.

C. Level of excellence:

28th Existence of talent management programs.

The succession management project.

29th Existence of career plans.

Linked to the previous program.

30th Existence of measures of flexibility of the working day that support the conciliation of work and family.

Yes.

31st Telework promotion programs.

No.

32nd Conciliation policy.

Yes.

33rd Existence of contractor training programs.

Yes, mainly, on prevention of risks, occupational health and environmental protection.

34th Training hours for contractors.

In 2016, contracted personnel received 1,508 hours of training (1,355 hours in 2015).

35th Existence of a register of complaints, suggestions, claims and resolution measures.

Yes.

36th Existence of a policy for the management of diversity.

There is no formal specific policy for the management of diversity, but it is developed in the Ethical code, in the CSR policy and in the Equality and non-discrimination policy.

37th Existence of measures to support the study.

Yes.

38th Existence of repayable advances.

Yes.

39th Existence of pension schemes.

Yes.

40th Existence of life and accident insurance.

Yes.

41st Existence of medical insurance.

No.

2. Human resources

42nd Existence of campaigns of prevention of diseases, vaccination, etc.

See section e) of chapter 5. Human resources.

43rd Existence of social dining room, bonuses or supplements for food.

Yes.

44th Existence of bonuses or transport complements.

Yes.

45th Existence of measures to support maternity/paternity.

Yes.

46th Existence of stock options for employees.

No.

47th Volunteer activities and programs for employees.

See section b) (v) of chapter 10. Contribution and cooperation with society.

48th Existence of a contingency plan.

Yes.

3. Shareholders and investors

A. Basic level:

1st Identification of values and objectives related to transparency, loyalty and value creation in a sustainable way.

The values and objectives are defined in the mission and principles of action of Ercros.

2nd Identification of responsible.

There is a shareholder office.

3rd Degree of compliance with the Code of good governance ("GCC").

In 2016, compliance with the CBG recommendations applicable to Ercros was 96.2% compared to 92.3% in 2015 [see section g) of chapter 4. Ethics and values].

4th Publication of the annual corporate governance report.

Yes.

5th Relevant events and other communications to regulatory bodies.

In 2016, the company issued 37 relevant events, through the Comisión Nacional del Mercado de Valores ("CNMV") (27 in 2015).

6th Number of meetings of the general meeting of shareholders.

In 2016, the company held three general shareholders' meetings: the mandatory ordinary, on June 10 and two extraordinary meetings, on September 29 and November 15, respectively [see section b) (i) of chapter 6. Shareholders and investors].

7th Attendance at the general meeting of shareholders.

See section b) (i) of chapter 6. Shareholders and investors.

8th Presentation of results.

In each fiscal year, two reports are presented corresponding to the results of Ercros in the first and second semester and two intermediate notes, with the results of the first and third quarter.

B. Advanced level:

9th Existence of a shareholder area on the web.

In the corporate website (www.ercros.es) there is a specific "Shareholders and investors" section in accordance with the provisions of Circular 3/2015 of the CNMV [see section c) of chapter 6. Shareholders and investors].

10th Existence of specific systems of relation with shareholders.

The shareholder's office and the corresponding procedure that regulates its operation, which was reviewed in 2014.

On February 18, 2016, the board of directors approved the Communication and contact with shareholders, institutional investors and voting advisors policy.

C. Level of excellence:

11th Existence of a person identified for the dialogue with shareholders.

The person in charge of the shareholder's office.

12th Existence of periodic bulletins for shareholders.

There is no specific newsletter for shareholders, but information about Ercros is sent personally to those shareholders who request it through a form available on the website [see section c) of chapter 6. Shareholders and investors].

13th Existence of regular meetings.

With the investors who follow the Ercros' share and with the shareholders who request it.

14th Existence of mechanisms to encourage participation.

The participation of the shareholders in the general meeting is encouraged through voting and remote delegation and the remuneration of the attendance.

15th Inclusion of Ercros in sustainability indexes.

Ercros participates since 2012 in the CDP questionnaire, and since 2013 in the CSR rating of EcoVadis [see section g) of chapter 4. Ethics and values].

4. Environment

A. Basic level:

1st Existence of an environment/sustainability policy.

Ercros has a Sustainability policy, the latest revision of which is dated November 5, 2015 [see section b) of chapter 7. Environment].

2nd Commitment to pollution prevention.

Yes.

3rd Biennial report on environmental aspects associated with the activity.

The accountability for environmental aspects associated with Ercros activity is included in the Social responsibility report, which has been published annually since 2016.

4th Conviction and severe penalties.

In 2016, there has been no conviction and no sanction for non-compliance with legal requirements related to the environment (EUR 42,002 in 2015) [see section h) of chapter 7. Environment].

5th Value fines for breach of legal requirements.

See the previous answer.

6th Number of incidents and/or accidents with environmental consequences.

During 2016, there have been no incidents or accidents with serious environmental consequences.

B. Advanced level:

7th At least 85% of Ercros' production activities are subject to environmental certification.

Yes, the 100%.

8th Expenses and investments in environmental protection.

In 2016, Ercros incurred expenses in environmental protection and improvement actions amounting to EUR 18.20 million (EUR 16.41 million euros in 2015).

9th Hours per employee of awareness/training in safety and environment.

In 2016, each employee received an average of 8.08 hours in training actions related to technical, health and environmental prevention (6.33 hours in 2015).

10th Water consumed per tonne produced.

The specific water consumption was 9.09 m³ per ton produced in 2016 (8.85 m³/t in 2015).

11th Energy consumed per tonne produced.

The electricity and other fuel consumption in 2016 was 3.96 GJ per tonne produced (4.14 GJ/t in 2015).

12th Equivalent tonnes of greenhouse gases ("GHG") emitted per tonne produced.

If the external certifying company verifies it, in 2016, Ercros will have emitted 0.351 tonnes of CO_{2eq} per tonne produced (0.349 t of CO_{2eq}/t in 2015).

13th Tonnes of nitrogen oxide ("NOx") emitted per tonne produced.

In 2016, Ercros emitted 0.00011 tons of nitrogen oxide per tonne produced (0.00015 t of NOx/t in 2015).

14th Tonnes of sulphur dioxide ("SO₂") emitted per tonne produced.

In 2016, Ercros emitted 0.00007 tons of sulphur dioxide per tonne produced (the same amount as in 2015).

15th Tonnes of suspended particulates ("SS.PP.") emitted per tonne produced.

In 2016, Ercros emitted 0.000010 tonnes of suspended particles per tonne produced (the same amount as in 2015).

16th Tonnes of volatile organic compounds ("VOCs") emitted per tonne produced.

In 2016, Ercros emitted 0.00082 tons of volatile organic compounds per tonne produced (0.00071 t of VOCs/t in 2015).

4. Environment

17th Tonnes of chemical oxygen demand ("COD") from discharges per tonne produced.

In 2016, the chemical demand for oxygen from Ercros discharges was 0.00019 tonnes per tonne produced (0.00020 t of COD/t in 2015).

18th Tonnes of heavy metals dumped per tonne produced.

In 2016, Ercros discharges contained 0.00000139 tonnes of heavy metals per tonne produced (0.00000087 t of heavy metals/t in 2015).

19th Tonnes of phosphorus ("P") discharged per tonne produced.

In 2016, the phosphorus dumped by Ercros was 0.0000039 tonnes per tonne produced (0.0000049 t of P/t in 2015).

20th Tonnes of nitrogen ("N") discharged per tonne produced

In 2016, nitrogen from Ercros was 0.000013 tonnes per tonne produced (0.000015 t of N/t in 2015).

21st Tonnes of total waste generated per tonne produced.

In 2016, Ercros generated 0.034 tonnes of total waste per tonne produced (0.033 t of total waste/t in 2015).

22nd Tonnes of hazardous waste generated per tonne produced.

In 2016, Ercros generated 0.0049 tonnes of hazardous waste per tonne produced (0.0044 t of hazardous waste/t in 2015).

23rd Percentage of waste recovered in relation to waste generated.

In 2016, the recovered waste from Ercros accounted for 4.3% of the total waste generated (3.9% in 2015).

24th Description of recovery projects.

- The collaboration with the Sociedad Estatal Aguas de las Cuencas Mediterráneas, S.A. ("Acuamed") in the Flix marsh sludge remediation project, included in the Territorial restitution plan.

- The characterization and remediation works when it comes, from the floors of the factories of Aranjuez, Flix, Vila-seca I and Vila-seca II.

- The recovery project for the Terrera Nova dump in Cardona.

C. Level of excellence:

25th Description of programs or actions to protect habitats and biodiversity.

See section 1) chapter 7. Environment.

5. Supply chain/suppliers and contractors

A. Basic level:

1st Existence of control mechanisms of raw material records.

Ercros verifies that the uses of the products manufactured by Ercros are included in the exposure scenarios of the safety data sheets supplied by the suppliers of raw materials. Likewise, the Ercros checks and holds the certifications of all the containers destined to the shipment of dangerous goods.

8th Existence of a policy to promote the contracting of suppliers and local contractors.

Yes.

9th Existence of an intranet for suppliers / contractors.

Indirectly, through Federación Empresarial de la Industria Química Española ("Feique") and Asociación Empresarial Química de Tarragona ("AEQT"). Ercros favours direct and personal communication through e-mail.

B. Advanced level:

2nd Do provider contracts include ethical and human rights clauses?

Yes, see section a) of chapter 8. Supply chain/suppliers and contractors.

See section b) of chapter 8. Supply chain/suppliers and contractors.

3rd Do supplier contracts include safety, health and environmental clauses?

Yes.

4th Existence of supplier/contractor evaluation procedures.

Yes, see section a) of chapter 8. Supply chain/suppliers and contractors.

C. Level of excellence:

5th Description of success stories.

See section d) of chapter 8. Supply chain/suppliers and contractors.

6th Supplier/contractor audits.

The integral logistics management performs audits to suppliers, transporters and storage terminals, as well as annual evaluations.

7th Training hours for suppliers/contractors.

In 2016, the personnel of the companies that supplied goods and services received 1,508 hours of training (1,355 hours in 2015).

6. Customers and consumers

A. Basic level:

1st Penalties and/or convictions with respect to regulations on the registration, evaluation and authorization of chemical substances ("Reach") and classification, labelling and packaging of chemical substances ("CLP").

None.

2nd Existence of confidentiality or data protection clauses of the client.

Collaboration agreements signed with future clients and clients responsible for the development of new products include confidentiality clauses.

3rd Expenditure on R+D+i.

The investments and expenditures made in the field of innovation and technology in 2016 reached amounted EUR 5.10 million (EUR 4.22 million in 2015).

4th Existence of a registry of complaints and its resolution.

There is an internal customer complaints procedure, which explains how claims and minimum data to be included in the claims record should be handled.

5th Accidents per tonne transported.

On 15 April 2016, a tanker truck from Vila-Seca II plant had an accident in Luxembourg, which affected 24 tonnes of PVC in bulk, a non-hazardous commodity.

B. Advanced level:

6th Existence of a customer service.

Yes, see section a) of chapter 9. Customers and consumers.

7th Index of claims.

In 2016, the claims index, which measures the volume of non-compliant products issued in relation to the total volume issued, was 0.121 (0.115 in 2014).

8th Conduct customer satisfaction surveys.

See section a) of chapter 9. Customers and consumers.

9th At least 85% of productive activities are subject to quality certification.

See section a) of chapter 9. Customers and consumers.

10th Safety data sheets on marketed products.

See section b) of chapter 9. Customers and consumers.

C. Level of excellence:

11th Life cycle analysis of the main products.

See section c) of chapter 7. Environment.

12th Percentage of products that have risk analysis during use, consumption and disposal.

All hazardous chemicals that Ercros buys and sells have their safety data sheets in which the corresponding exposure scenarios are listed.

13th Voluntary subscribed initiatives aimed at the control and safe use of chemical products.

See section b) of chapter 9. Customers and consumers.

14th Complaints and/or penalties related to marketing and advertising of products and services.

Not applicable to Ercros¹.

15th Portal or area for consumers and customers.

The corporate website has two sections with specific information of interest to customers: the section on products and the section on Reach.

16th Existence of an accessibility policy and actions.

The facilities of Ercros are properly signposted, in several languages.

For safety reasons, due to the type of products manufactured, the Ercros production centres have restricted access to people with severe physical disabilities.

¹ Ercros does not perform marketing or advertising actions.

6. Customers and consumers

17th Description of success stories about improvements in existing products.

See section e) of chapter 9. Customers and consumers.

18th Description of success stories about filling, packaging and wrapping materials.

See section d) of chapter 8. Supply chain/suppliers and contractors.

19th Description of success stories about distribution efficiency.

See section d) of chapter 8. Supply chain/suppliers and contractors.

7. Contribution and cooperation with society

A. Basic level:

1st Identification of products and their contribution to social welfare (direct and indirect).

Different information about Ercros explains the applications of the products that Ercros markets and its social contribution.

B. Advanced level:

2nd Direct jobs generated.

In 2016, the average headcount of Ercros was 1,357 people (1,369 people in 2015).

3rd Indirect and induced jobs generated.

In 2016, the indirect and induced ¹ jobs generated by the activity of Ercros were 3,587 (3,597 in 2015).

4th Total employment generated/occupied in the province.

On average, the employment generated by Ercros represents 5.5% of the active population in the municipalities where the production centres are located².

5th Billing/sales.

In 2016, sales reached EUR 602.54 million and were 2.5% lower than those of the previous year, which amounted to EUR 618.27 million.

6th Value of the total investments made.

In 2016, investments reached an amount of EUR 21.03 million (EUR 10.35 million in 2015). This increase is mainly due to the actions envisaged in the Plan Act [see section d) of chapter 3. Introduction].

7th Value of taxes, fees, contributions and other local or state tax contributions.

In 2016, Ercros satisfied EUR 21.82 million for taxes, fees, contributions and other tax contributions (EUR 22.72 million in 2015).

8th Displaced or resettled populations.

None.

9th Integration initiatives developed.

In its public and private communications, Ercros encourages the use of the dominant language in each community, which is especially significant in activity centres based in Catalonia.

10th Description of voluntary initiatives or actions aimed at preventing and managing environmental pollution.

See sections b) (iv) of chapter 10. Contribution and cooperation with society and section i) of chapter 7. Environment.

C. Level of excellence:

11th Value of sponsorships, sponsorships, donations, etc. per employee.

In 2016, sponsorships and contributions to groups of employees amounted EUR 147.17 per employee (EUR 87.52 per employee in 2015), totalling EUR 199,718.63 (EUR 119,820 in 2015), of which EUR 38,100 were for sponsorship and EUR 161,618.63 for contributions to the groups of employees.

12th Description of products and services aimed at disadvantaged persons or vulnerable groups.

Not applicable³.

13th Persons in disadvantaged situation or at risk of exclusion employed.

None.

¹ For the calculation of the indirect and generated employees a multiplier of three has been used, which is usually used by the chemical sector in its estimates.

² The active population of each locality has been calculated from the activity rate of the each province.

³ The Ercros portfolio does not support this type of activity.

7. Contribution and cooperation with society

14th Description of voluntary initiatives or actions aimed at preventing the safety and health of the community.

See section b) (i) of chapter 10. Contribution and cooperation with society.

15th Value of purchases made to special employment centres and/or insertion companies.

In 2016, the value of the purchases made by Ercros to special employment centres and/or insertion companies was EUR 349,591.17 (EUR 325,271.39 in 2015).

16th Description of infrastructure projects and public services to the community.

See section b) (v) of chapter 10. Contribution and cooperation with society.

17th Existence of training programs for the local community.

The production centres have agreements with local academic centres for the hiring of trainees.

18th Development of activities in the educational community (schools, vocational training and universities).

See item (ii) and (iii) of section b) of chapter 10. Contribution and cooperation with society.

19th Development of activities with the media.

In 2016, 51 press releases were sent (35 in 2015). The communication department attends and facilitates the work of the media regarding Ercros.

20th Development of activities with the public administration and authorities.

Ercros maintains frequent personal contacts and invites representatives of local and regional institutions to visit their factories. Likewise, the managers of Ercros hold working meetings with those in charge of the administrations with which it is related.

Since 2015, Ercros has been working, in collaboration with the municipal and autonomous administration, on a re-industrialization project for its Flix facilities (Tarragona) in order to attract new projects capable of generating employment in the area and to this end has signed a contract with the

company MOA BPI group [see section b) (v) of chapter 10. Contribution and cooperation with society].

On June 9, 2016, the factory of Cerdanyola was visited by the mayor of this town accompanied by the councillor of economic promotion and technicians of the department.

On December 28, 2016, the Departament de Territori i Sostenibilitat of the Generalitat de Catalunya together with the mayor of Flix and other representatives of the Catalan administration and the city council visited the Flix factory in order to know "in situ" the characterization and sanitation works that Ercros is carrying out and the actions that Ercros plans to launch in 2017 and 2018.

21st Development of activities with legislative chambers.

Through Feique, Ercros participates in meetings and working days with members of regional, national and European parliaments.

22nd Development of activities with business organizations.

See section b) (vii) of chapter 10. Contribution and cooperation with society.

23rd Development of activities with trade union organizations

Ercros maintains frequent personal contacts with the representative trade union organizations in Ercros and participates in the seminars and events they organize.

The company contributes financially to the maintenance of the employee groups [see indicator number 11 above].

Indirectly, through Feique, Ercros participates in institutions that have a union presence, such as the Observatorio de la Química or the Foro Química y Sociedad.

24th Development of activities with consumer organizations and users.

Ercros participates, through Cicloplast, in the Envase y Sociedad platform that is constituted as a forum for dialogue and exchange of experiences between organizations, institutions and citizens.

7. Contribution and cooperation with society

25th Development of activities with environmental groups.

Ercros participates, along with the Natura Freixe group, in the Parc Natural de Sebes patronage, located in front of the factory of Flix and in the monitoring committee of the Sebes management plan [see section i) of chapter 7. Environment].

26th Development of activities with professional organizations.

Through the business organizations in which it participates.

27th munity (centres, universities, etc.)

See section b) (iii) of chapter 10. Contribution and cooperation with society.

28th Development of activities with neighbouring companies.

Through personal contacts, joint participation in emergency drills and local business associations.

29th Development of activities with neighbourhood associations.

Through the sending of information and documentation of interest of Ercros.

30th Development of activities with other associations or groups (cultural, sports, social, etc.).

Sponsorship of the Gran Teatre del Liceu in Barcelona.

The sponsorship of the clubs of hockey and soccer of Vila-seca.

8. Communication and dialogue

A. Basic level:

1st Existence of a person with assigned communication functions.

At the corporate level the general secretariat is in charge of the communication responsibilities and, in each production centre, there is a person with delegated communication functions.

2nd Existence of a corporate publication.

The Plan de Mejora del Diálogo ("PMD") internal news bulletin [see section b) (ii) of chapter 11. Communication and dialogue].

Since 2014, Ercros has had a general newsletter, which is requested through the web and allows to receive Ercros news periodically [see section b) (i) of chapter 11. Communication and dialogue].

3rd Existence of web page.

Yes, see section b) (i) of chapter 11. Communication and dialogue.

4th Existence of an internal communication procedure.

Yes, Ercros has an internal corporate communication procedure.

B. Advanced level:

5th Existence of a web page in Spanish.

The corporate website is presented in Spanish, English and Catalan.

6th Publication of the annual report.

Annually Ercros presents the Economic and financial report, the Corporate governance report, the Directors' remunerations report and the Corporate social responsibility report [see section b) (i) of chapter 11. Communication and dialogue].

7th Issuance of public notices.

Ercros periodically sends informational announcements to its stakeholders. In 2016, an average of 10 releases per centre were reported (seven reported in 2015) [see section b) (ii) of chapter 11. Communication and dialogue].

8th Existence of a management protocol and evaluation of suggestions, queries, complaints, petitions or similar

For suggestions, inquiries or complaints from external stakeholders, Ercros has the public service line ("LAP") [see section b) (ii) of chapter 11. Communication and dialogue].

In 2016, 21 internal improvement suggestions were submitted (23 suggestions in 2015) [see section b) (ii) of chapter 11. Communication and dialogue].

9th Existence of internal protocol meetings.

Through the PMD, cascade meetings are held in all workplaces. In 2016, 1,099 cascade meetings were held in which 4,548 people participated (1,189 meetings in 2015 with an attendance of 4,760 people) [see section b) (ii) of chapter 11. Communication and dialogue].

C. Level of excellence:

10th Periodic publication of a sustainability report or CSR report.

Ercros prepares the CSR report from 2016 on an annual basis [see section b) (i) of chapter 11. Communication and dialogue].

11th Existence of an external periodical newsletter.

Since 2014, Ercros has a general newsletter, which is requested through the web and allows to receive Ercros news periodically [see section b) (i) of chapter 11. Communication and dialogue].

12th Organization of external open days.

See section b) (ii) of chapter 11. Communication and dialogue.

13th Existence of a management protocol and evaluation of external suggestions.

The LAP [see section b) (ii) of chapter 11. Communication and dialogue].

14th Existence of a public advisory panel.

Through Feique and AEQT.

8. Communication and dialogue

15th Description of CSR campaigns.

Ercros carries out several social responsibility campaigns annually [see section b) (vi) of chapter 10. Contribution and partnership with society].

16th Periodical conduct of opinion polls.

In 2016, production centres did not conduct opinion surveys among their stakeholders.

17th Use of tools 2.0.

The use of 2.0 tools such as Vimeo, Flickr, LinkedIn and RSS.

18th Existence of an intranet or an area for staff.

The company has developed the virtual board hosted on the server of Ercros, which performs the functions of an intranet and is freely accessible to staff.

19th Existence of an internal periodical newsletter.

The bulletin associated with the PMD. In 2016, six bulletins were published (the same number in 2015) [see section b) (ii) of chapter 11. Communication and dialogue].

20th Organization of open days for employees and/or family.

On October 22, 2016, a day of open doors was held in Monzón for employees and relatives attended by 50 people.

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This Corporate social responsibility report,
of which there are 150 copies, was edited
in Barcelona in May 2017.

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